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ABSTRACT

A special report of the National Commission for Manpower Policy, this working paper analyzes the demographic trends, labor-market experience, and special problems of older workers. Its chief purpose is to bring into focus the major policy choices involved in increasing the labor-market opportunities of older persons who are able and willing to work. Reviewing demographic data, including projections of labor-force participation, rates of occupational mobility, and indices of occupational concentration, the paper discloses that, although the position of older persons is improving, particularly with respect to education, physical condition, and financial status, a significant proportion encounter severe problems in the labor market. Older workers are concentrated in a limited number of industries and occupations where highly structured personnel policies, together with inter-group competition, make conditions more favorable for the hiring of younger workers. As a result, there is a growing interest among older persons in improving their employability and their employment opportunities. A number of tables are included. (Author/CS)

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The Utilization of Older Workers

Dean Morse

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FOREWORD

In the four years of its existence the National Commission for Manpower Policy has been under pressure of the Congress, the Executive and the American people to concern itself continuously or sequentially with the following aspects of employment policy: the chronic difficulties that disadvantaged youth face in making the transition from school to work; the necessity of improving meliorative measures to respond to the large-scale rise of unemployment brought about by the severe recession of 1974-75 during which the unemployment rate reached 9 percent; the continuing labor market difficulties experienced by the "structurally unemployed,: that is, persons of differing ages and conditions who have been out of work at least twelve to fifteen weeks and who have a low family income; workers who have lost their jobs because of sudden increases in imports; displaced homemakers, a euphemism for women who after many years of homemaking suddenly find themselves under pressure to earn an income.

These many claimants for attention and support (and the roll could be extended to include migrants, welfare clients, veterans and still others) have commanded the attention of the Commission. Despite the sizable increases in federal appropriations for training and employment, especially since early 1977, Congress has never been able to make the scale of effort that would provide employability opportunities for all who seek work. The nearest it has come to such a stance has been through the passage in 1978 of the Full Employment and Balanced Growth Act where it established a national goal--without specific implementation--that looks to an unemployment rate of 4 percent by 1983.

This abbreviated account of the many different groups requiring and seeking training and employment assistance helps to explain, even if it does not justify, the relative lack of attention and support provided older workers during the recent period of much enlarged federal manpower activity. The classic stance of federal policy since the passage of the Social Security Act in 1935 has been to ameliorate the condition of older persons by providing improved income and in-kind support to assure their independence and their freedom from poverty. Consider recent legislation that has included Medicare and Medicaid, improved coverage and the indexing of Social Security benefits, food stamps

and still other legislation almost all of which has been directed to helping older persons remain financially viable and independent.

Aside from some limited direct job creation, only two actions of Congress, the first in 1967, the second in 1977, spoke to helping older persons get and retain jobs. The first was aimed at restricting the ability of employers to use age as a hiring criterion; the second to protect workers in good health from being summarily separated from employment at age 65; the retirement age was raised to 70. (The several amendments to the Social Security Act to raise the earnings ceiling before loss of benefits did no more than keep pace with inflation.)

The National Commission for Manpower Policy has been aware from its establishment that federal policy for the aged was more income than job oriented, a position that it believed warranted reassessment. But the priorities which shaped its own program prevented the Commission from addressing the problems of the older worker until last year when it contracted with Dr. Dean Morse, Senior Research Associate, Conservation of Human Resources, Columbia University, to prepare the overview paper that follows. The low level of federal interest and concern with the labor market problems of older workers was reflected in the paucity of readily available data for analysis and evaluation which made Dr. Morse's assignment more difficult than it should have been. His draft report benefited from a close reading by Mr. Patrick O'Keefe, the Deputy Director of the Commission and I added the final section on policy considerations. Since this section contains the outline of important open issues affecting the improved utilization of older workers, I can depart from my usual practice of dealing with such issues in the foreword.

The Commission is pleased that it has been able, albeit belatedly, to make a first contribution to focusing attention on the improved utilization of older workers, a subject to which it will return just as soon as possible. The effectiveness of what it will be able to accomplish at that time will depend in no small measure on the numbers of informed persons who will be able to contribute to problem identification and policy recommendations. In this regard, the Commission hopes that Dr. Morse's monograph will be carefully reviewed and evaluated not only by the small band of concerned citizens now pushing for expanded employment opportunities for older persons, but the much larger number of

legislators, administrative officials, leaders in the private and nonprofit sectors whose attention, interest and help will be required if the U.S. is to reduce, even if it cannot totally eliminate the losses attached to the under and non-utilization of older persons able and willing to work part-time if not full-time.

The reference to part-time employment leads me to call attention to another recent Special Report of the Commission, Work Time and Employment, which bears at least tangentially on many of the issues that Dr. Morse treats.

In conclusion I want to thank Dr. Morse for taking on and carrying through this difficult assignment and to note again the substantial assistance provided by Mr. O'Keefe in helping to turn his draft into a finished product. Mrs. Sylvia Leef of the Conservation of Human Resources Staff at Columbia University and Deloris Norris of the Commission's staff in Washington, D.C. made important inputs by turning the marked up manuscript into printer's copy.

ELI GINZBERG
Chairman

1. Introduction

Although Congress passed the Age Discrimination in Employment Act of 1967 it was not until the amendment of that Act in 1977 barring forced retirement before the age of seventy that the problem of the older worker came on stage if still not center stage. The intervening decade had seen the nation preoccupied with the employment problems of minorities, women and youth. But the substantial increase in the number of older persons long documented and discussed by gerontologists had failed earlier to attract the attention of legislators and the public. It is the purpose of this working paper to explicate the dimensions of this trend for the purpose of informing public discussion of the options that exist for improving the utilization of older workers for their benefit and that of the nation.

By way of initial perspective, the analysis of the older worker immediately raises several questions. What are the age bounds? This working paper defines older workers as those who have passed their 55th birthday. Next, one must recognize that the conditions of successive cohorts of older workers will differ depending on their earlier work and income experiences. Those currently in the age groups 62 and above are less likely than those who will follow them to be entitled to maximum social security payments, to have private pensions, to have a spouse in similar circumstances. One of the foci of the present analysis will be to distinguish among successive cohorts reaching the upper age span.

Another observation: to a greater or lesser degree workers of differing education and training, work experience, and age compete for the jobs that are available within the constraints of employer personnel policies and collective bargaining which tend to favor those who have seniority. This inter-group competition will also be addressed.

One critical concern will be, however, with the effect of age, per se, on the labor market experiences of workers. To this end we will seek to identify the common problems that age brings in its wake even while we differentiate more sharply among subcategories of older workers, specifically those between 55 and 62; 62 to 65; 65 to 72; and those above 72.

But persons who belong to the same cohort and who reach 55 at the same time will face vastly different problems in the labor market depending on their present circumstances and former experiences. A provisional typology follows which helps to underscore the many dimensions on which older workers differ.

The heterogeneity of older workers by age grouping and characteristics is suggested by the following observations. Among those between 55 and 62 are many with strong attachments to a major employer in a major industry who because of relatively high earnings and good pension arrangements may opt for early retirement. Others with limited skills who failed to make an effective work affiliation are likely to be increasingly vulnerable to the competition of younger, better educated, stronger workers. If they lose their jobs they will be hard pressed to obtain another. Once a person reaches 62 his options broaden since he can quality for Social Security benefits at a reduced level (80 percent). Any failing of health makes such early retirement more likely.

Until the 1978 amendments the presumption was strong that hourly, office, and managerial personnel if they had not done so previously would retire when they reached 65. Small numbers might stay on for a year or two longer but only 1 out of every 20 males 70 years old or more was still working full-time, full year and only 1 in 7 had any work experience during the course of the year. These small percentages suggest that this small work-oriented group is idiosyncratic, composed mainly of professionals, craftsmen, and self-employed persons who find work a positive experience.

This working paper will consider sequentially the demographic trends, labor market experience, and special problems of older workers with an aim of delineating the major policy choices facing the American people as they set about to realize the goal of full employment which must include job opportunities for older workers able to work and interested in working.

A Provisional Typology of Older Workers

Dimension	Range			
Age	55-62	62-65	65-72	72+
Sex				
Race				
Ethnicity				
Education	Low			High
Occupational and function	Low-skill Low authority			High-skill High authority
Industry	Goods-producing		Service-producing	
Firm (or employer)	Small		Large	
Technology	Low		High	
Capital intensity	Low		High	
Work history and career	Disorderly		Orderly	
Labor market	Unstructured: short tenure little seniority lack of pensions and vesting		Structured: long tenure strong seniority high pensions and vesting	
Life-cycle earning profile	Low and flat		High rising	
Accumulated assets	Little or none		Large	
Location	Rural Small community Declining region		Urban Large metropolis Expanding region	
Transport	Little or no mass transport Automobile not available		Highly developed mass transport Automobile available	
Retirement process	Early Involuntary Unplanned Abrupt Mandatory Complete		Late Voluntary Planned Gradual Negotiated Partial	

A Provisional Typology of Older Workers (continued)

Dimensions	Range	
Health status	Major limitations	Little or no limitations
	Deteriorating	Improving
Labor market information	Sparse and fragmentary	Comprehensive
	Inaccurate	Accurate
	Limited network	Comprehensive network
	Informal	Formal
	Broadcast source 1/	Specific source
Job search 2/	High anxiety	Low anxiety
	Limited	Extensive
	Unaggressive	Intensive
Discriminatory barriers	Insuperable	None
	Endemic to industry	Firm-specific
	Formal	Informal

1/ See Johnson and Sugarman, The Comparative Labor Market Role of Newspaper Help Wanted Ads and Public Employment Service Job Listings, Chap. II (Olympus Research Center, Salt Lake City, Utah) (mimeographed)).

2/ See Harold L. Sheppard and A. Harvey Belitsky, The Job Hunt, Chap. 3-6 (The Johns Hopkins Press, 1956).

2. Demographic Trends

The change in the number of older Americans during the last generation and the changes that can be projected with relative confidence, barring catastrophies or unforeseen breakthroughs in medicine, are much more complicated than is commonly assumed. The likely changes in the next few decades in numbers and proportions of older Americans by age-specific groups is contrary in many regards to the conventional wisdom.

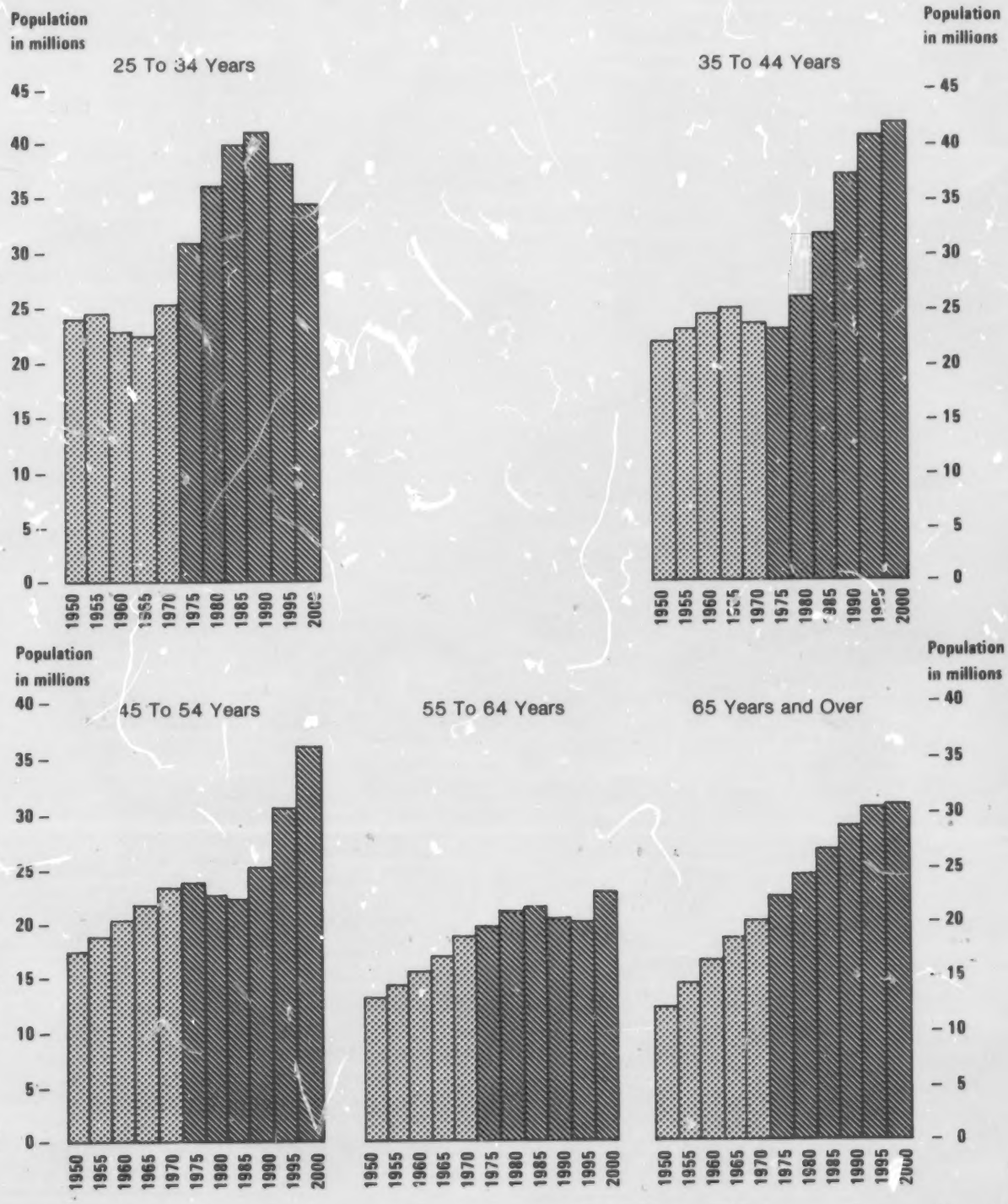
As Figure 1 makes clear, there will be no significant change in the numbers in the 55 to 64 age grouping, at least not until the last years of this century. On the other hand, there will be a steady increase of persons over 65, amounting to about 7 million in the last quarter century. In sharp contrast the younger age groups of those between 25 and 44 show substantial gains during this same time period with the result that the proportion of older persons in the population will actually decline. There is a second phase to these prospective population changes involving the first quarter of the 21st century but for the purposes of this study we can concentrate on the last quarter of this century, the more so because of uncertainties about the future birth rate and medical progress as the time horizon is extended.

If we speculate about the impact of these population changes on labor force behavior, the only reasonable assumption is that the average age of the U.S. labor force will decline in the quarter century ahead unless there is a major upheaval in the retirement-withdrawal patterns that have prevailed in the last quarter century. And even such an upheaval would be unlikely to prevent the average age of workers from declining given the much larger numbers in the lower rather than the high age brackets.

The situation of the age group 45-54 is of particular interest. Through the mid 1980s this group will account for a relatively smaller proportion of the total population (indeed its absolute numbers decrease between 1975 and 1985). Accordingly, their smaller numbers will take some of the pressure off the 55 and above age group to make room for them and it will facilitate some speeded up promotional opportunities for the large group in the 35 to 44 year bracket.

However, the picture changes abruptly in the mid 1980s. The age group 45 to 54 suddenly experiences rapid growth which continues for the rest of the century. It

Figure 1. Estimates and Projections of the Population of the United States by Age: 1950 to 2000



Source: U.S. Bureau of the Census, Current Population Reports, Series P-25, No. 601, "Projections of The Population of the United States: 1975 to 2050," p. 13.

is possible, even likely therefore that this age group will experience problems resulting from the abrupt changes from relatively short supply to relative abundance.

Aside from the changing circumstances of the 45 to 54 age group which will increase rapidly after 1990, the broad future is one of relative stability in the population aged 55 to 64 until the end of this century. True the total population above 65 is expected to increase by 7 million but most of the gain will be among those who are past even extended working years, that is above 74 years of age. The 65 to 74 group will increase by only about 3 million, barring an unforeseen breakthrough in geriatric medicine.

To place this latter point in perspective one should look back over the last half century.

The population over 55 quadrupled during these years. Approximately, the same occurred among the population 65 and over. However, the increase in the population 75 and over has been much more rapid and current projections anticipate that this increase will continue in the next half century.

Although the number of people in the older age groups will increase substantially over the next half century, a large part of the increase will take place after the year 2000. Contrary to the belief of many, the United States will experience a substantial decline during the next few decades in the rate of increase of its older population.

3. Educational Qualifications and Earnings

One reason why certain workers are at a competitive disadvantage has less to do with their age than with their education which is frequently a correlate of the era when they entered the labor force. Hence, the importance of looking more closely at how education and age are linked.

Between 1940 and 1970 the educational attainment of the population of the United States by age underwent a marked change. In 1940, all age groups had much the same median educational attainment, several years below a high school diploma. Employers had no reason on educational grounds to prefer one age group over the other.

Within the same age group there were of course great differences based on social, ethnic, racial differentiations. The children of upper income families were much more likely to have graduated from college and to be found in the professional or managerial ranks. In particular, the educational attainment of the vast majority of blacks was far below that of corresponding white age groups.

By 1950 and even more so by 1960 the educational attainment of younger age groups was considerably above that of the older age groups. During these decades it became the norm for adolescents to complete high school, and an increasing proportion of young people went on to college and graduate school. Therefore, a large gap developed between the educational attainment of those under 40 and those over 55. While in 1940 the 35 to 39 age group had only a half year more educational attainment than the 60 to 64 age group, by 1960 three and a half years of educational attainment separated the two groups!

Since 1950, the labor market has seen a large increase of more highly educated age cohorts--those with at least 12 years of educational attainment. By 1980 these more highly educated cohorts will have reached their fifties, and in 1990 the median educational attainment of all age groups under 70 can be expected to be at least 12 years. The younger age groups may have about 13 years of educational attainment, but it is unlikely that the large gap in educational achievement between the younger and older age groups that developed between 1940 and 1960 will reappear.

During the next few decades, older blacks will still lag substantially behind younger black age groups in educational achievement and even further behind whites. At the same time, these decades should see some movement toward lessening the black-white educational attainment differentials in the younger and middle age groups.

Since educational inputs change and since some part of what students learn rapidly erodes or becomes absolescent, if not obsolete, it is exceedingly difficult, if not impossible, to compare the significance of a recently earned high school diploma with one achieved 40 years earlier. The recent downward trends in nationwide scores on standardized tests of literacy and mathematical capacity cast doubt upon the quality of recent educational achievements when measured by years of schooling completed.

Nevertheless the possession of a high school diploma is an essential credential for many, usually most, good jobs, even when there is little or no precise relationship between educational preparation and job preference. As Thurow and others have emphasized, where the operation of a particular labor market takes the form of selection of an applicant from a queue of potential workers, it has been convenient (and probably efficient) for employers to use educational attainment as a simple screening device to cut the number of applicants down to manageable proportions. Employers also believe that screening by education increases the likelihood that any particular applicant who is chosen for the job will be more productive than those applicants who were rejected.

Years of school completed are closely related to participation in the labor force. For almost all age groups, both by sex and by race, the larger the number of years of school completed by an age group, the higher its labor force participation rate (see Table 1). Moreover, for the white males, 55 to 64, labor force participation rates are conspicuously low for those who have not completed high school. For white women the differences in labor force participation rates by years of school completed are even more striking and again apply to all age groups, particularly to the oldest age groups.

Contrary to common belief, the more educated do not have noticeably shorter worklives because of the greater length of time they spend in school while young. Because of their higher earnings and because on the average their jobs are less demanding physically and perhaps less dangerous and unhealthy and more interesting, the length of time spent in school is nearly balanced by additional years that the better educated spend in the labor force.

There is one sharp anomaly in Table 1. For the two oldest black age groups, labor force participation rates do not show any strong tendency to decline as number of school years completed falls. Several factors can help explain this, including their occupational composition, selective migration, and the small number of college graduates among these older groups.

Part of the low participation rates among whites of all age groups who had less than five years of schooling may be the result of major deficiencies, either physical

Table 1. Labor Force Participation Rate of the Population 16 Years Old and Over, by Age, Sex, Race, and Years of School Completed, March 1977

Years of school completed, race, and sex	Percent of population in labor force										
	Total 16 years old and over	16 to 19 years			20 to 24	25 to 34	35 to 44	45 to 54	55 years and over		
		Total	16 and 17	18 and 19					Total	55 to 64	65 and over
WHITE											
Men											
TOTAL	77.5	58.1	46.7	70.2	84.7	95.9	93.2	91.8	47.6	75.0	19.0
Elementary: Less than 5 years[a]	44.6	(b)	(b)	(b)	(b)	75.9	77.1	72.6	25.4	57.5	11.1
5 to 7 years	52.5	(b)	(b)	(b)	95.7	91.3	86.6	82.4	30.5	60.9	13.7
8 years	55.0	52.1	45.2	75.0	88.1	90.5	90.0	90.4	34.6	66.3	15.2
High School: 1 to 3 years	68.6	53.1	47.0	69.7	91.4	95.4	94.7	89.3	46.8	70.8	19.5
4 years	85.7	73.9	(b)	74.2	93.7	97.2	97.7	92.9	56.0	78.6	21.9
College: 1 to 3 years	81.9	52.5	(b)	52.9	70.5	94.8	98.1	94.6	59.3	82.3	24.6
4 years	90.3	(b)	(b)	(b)	89.1	98.0	97.6	96.7	60.5	85.8	28.8
5 years or more	90.4	(b)	(b)	(b)	70.2	95.0	98.2	97.1	68.6	89.2	36.3
Women											
TOTAL	47.8	51.2	42.1	60.1	66.8	58.1	58.9	55.5	23.1	41.3	8.3
Elementary: Less than 5 years[a]	15.0	(b)	(b)	(b)	(b)	26.4	36.6	28.3	7.2	22.5	2.3
5 to 7 years	21.4	(b)	(b)	(b)	27.2	37.0	37.5	43.6	11.7	27.1	4.7
8 years	24.3	26.0	20.7	34.2	47.9	39.2	46.6	45.9	15.2	34.8	5.9
High School: 1 to 3 years	40.2	44.6	42.6	51.2	49.2	46.0	54.3	47.8	20.5	36.4	7.6
4 years	54.0	68.4	63.9	68.7	69.4	56.0	60.6	58.5	31.1	44.9	11.9
College: 1 to 3 years	55.0	51.3	(b)	51.8	66.2	60.[illegible]	62.1	58.3	28.5	48.7	10.3
4 years	61.0	(b)	(b)	(b)	87.5	69.2	59.3	64.2	27.6	45.7	11.5
5 years or more	70.6	(b)	(b)	(b)	78.8	77.4	81.2	79.0	43.2	67.5	20.7
BLACK											
Men											
TOTAL	69.7	34.6	21.4	49.9	80.1	91.0	90.8	82.3	44.1	67.3	20.6
Elementary: Less than 5 years[a]	43.4	(b)	(b)	(b)	(b)	(b)	(b)	71.[illegible]	33.3	61.6	18.4
5 to 7 years	60.7	(b)	(b)	(b)	(b)	(b)	88.8	84.3	41.7	63.6	21.1
8 years	59.1	(b)	(b)	(b)	(b)	(b)	(b)	79.8	45.4	68.0	17.6
High School: 1 to 3 years	62.0	31.5	23.1	45.9	85.4	90.8	89.6	83.8	49.4	61.2	(b)
4 years	83.9	60.7	(b)	61.4	85.9	91.2	93.4	84.2	56.8	73.7	(b)
College: 1 to 3 years	79.2	(b)	(b)	(b)	68.5	91.2	93.6	84.5	(b)	(b)	(b)
4 years	89.2	(b)	(b)	(b)	(b)	97.0	(b)	(b)	(b)	(b)	(b)
5 years or more	91.0	(b)	(b)	(b)	(b)	(b)	(b)	(b)	(b)	(b)	(b)
Women											
TOTAL	49.3	24.7	15.2	34.5	55.4	68.9	64.0	60.6	24.2	40.2	10.3
Elementary: Less than 5 years[a]	14.9	(b)	(b)	(b)	(b)	(b)	(b)	36.5	9.3	21.2	4.8
5 to 7 years	31.9	(b)	(b)	(b)	(b)	(b)	42.4	53.4	22.0	33.6	13.2
8 years	35.7	(b)	(b)	(b)	(b)	(b)	50.6	60.3	23.6	39.0	10.5
High School: 1 to 3 years	40.1	18.1	14.9	24.3	41.3	57.7	57.3	54.8	27.6	40.3	10.9
4 years	63.1	43.3	(b)	44.2	62.8	71.7	68.0	67.4	40.9	53.5	17.7
College: 1 to 3 years	61.3	(b)	(b)	(b)	50.2	79.0	71.8	(b)	38.9	(b)	(b)
4 years	81.2	(b)	(b)	(b)	84.6	86.2	(b)	(b)	(b)	(b)	(b)
5 years or more	84.7	(b)	(b)	(b)	(b)	(b)	(b)	(b)	(b)	(b)	(b)

[a]Includes persons reporting no school years completed.

[b]Percent not shown where base is less than 75,000.

Source: "Educational Attainment of Workers, March 1977," Special Labor Force Report 209, U.S. Department of Labor, Bureau of Labor Statistics, Table F, p. A-15.

or mental, among this group. The lack of educational opportunities in many parts of the rural South for most blacks as recently as a generation ago implies something different for those with limited schooling.

Since variations in years of schooling in themselves do not explain a large portion of the observed variation in income, Jacob Mincer has advanced the view that it is the interaction of schooling and postschooling investment in human capital (through on-the-job training, formal and informal) that should be related to income. From our point of view, the most significant point made by Mincer is that earnings are not related to age as such, but rather to years of work experience.

At first glance age-earning profiles derived from the age structure of the population in a particular census year give the impression that earnings of older workers level off and perhaps even tend to decrease after they reach their middle years. Longitudinal studies of workers in these middle years indicate quite a different relationship between increasing age and earnings. Herbert Parnes has pointed out that:

> ...in every year and among both blacks and whites there is an inverse relation between average earnings and age, leading to the impression that earnings decline as a man in his middle years grows older. If the cross-sectional relationship was an accurate predictor of what happens over time, one would expect each of the two younger age groups to experience a decrease in real earnings over the five-year period. Yet each of these age categories actually enjoyed an increase in excess of 10 percent.
>
> In part this is attributable to the fact that cross-sectional relationship reflects the inverse association among men in this cohort between age on the one hand and education and occupational level on the other. In part, however, it reflects the fact that the upward movement of the economy-wide productivity escalator more than compensates for whatever tendency advancing age has to depress real earnings (The Pre-retirement Years, vol. 4, pp. 20-21).

It should be noted, moreover, that longitudinal data on male workers aged 45 to 59 also reveal that there is a decrease over time in annual hours worked.

In general, an establishment's wage structure does not make distinctions between wage rate increases for individual workers based upon their age. In fact, since hours worked per week and weeks worked per year are somewhat variable because of business conditions, the life-cycle earnings profile may even be expected to show an upward trend for many older workers because they receive more protection against layoffs than younger workers.

Under collective bargaining agreements and even in their absence, older workers are usually given some advantage in promotions. If two workers of equal qualification apply for the same job, the one with the most seniority will be promoted. The life-cycle earnings profiles of employees of large private corporations, as well as large nonprofit institutions and government agencies, are particularly influenced by institutional factors which tend to offer job protection and wage increases to employees with longer tenure.

However, there is a significant part of the economy in which large firms are not the rule and where the labor markets are quite competitive. In such markets a combination of (1) lack of seniority and of the other kinds of institutionalized job protection; (2) labor turnover due to fluctuating output levels; and (3) job conditions, including routine, unpleasant, and, in some cases, physically demanding or debilitating work, make it likely that the life-cycle earnings profile of older workers and their attachment to these labor markets will display a tendency to fall off with increasing age.

The distribution of earnings of full-time workers by age and sex in 1975 reveals that older workers, those in age groups 55 to 64 and 65 and over, have proportionately fewer of their members in the three highest income classes--$12,000 to $14,999, $15,000 to $19,999, and $20,000 and over--and proportionately more in the three lowest income classes--$7,000 to $9,999, $5,000 to $6,999, and less than $5,000 (see Table 2). In the 65 and over age group the full-time earnings distribution is concentrated in the lower three income classes, particularly the "less than $5,000" class. This is true for both men and women, but it is, of course, also the case that the earnings distribution of women of all age

Table 2. Earnings in 1975 of Year-Round Full-time Wage and Salary Workers, by Age and Sex, March 1976

Sex, age, and race	Total		Percent distribution by level of earnings						
	Number (in thousands)	Percent	Less than $6,000	$6,000 to $6,999	$7,000 to $8,999	$9,000 to $11,999	$12,000 to $14,999	$15,000 to $19,999	$20,000 and over
Men total	33,330	100.0	4.5	7.2	11.4	21.1	20.5	20.5	14.9
16 to 19 years	530	100.0	35.8	34.3	15.5	11.5	2.6	.2	–
20 to 24 years	3,174	100.0	10.1	19.3	26.6	28.1	10.6	4.4	0.9
25 to 34 years	9,567	100.0	3.0	5.7	11.5	25.2	23.5	21.8	9.4
35 to 44 years	7,491	100.0	2.3	4.9	8.1	17.4	21.4	24.5	21.3
45 to 54 years	7,249	100.0	3.4	4.7	6.6	17.6	21.8	24.1	21.9
55 to 64 years	4,718	100.0	4.0	6.2	12.4	20.9	20.5	19.4	16.6
65 years and over	601	100.0	14.3	8.8	15.5	20.3	12.6	17.3	11.3
Women total	16,918	100.0	17.9	25.1	23.2	20.0	8.9	3.8	1.0
16 to 19 years	424	100.0	60.6	27.1	7.8	4.0	.7	–	–
20 to 24 years	2,478	100.0	21.8	36.7	27.8	11.0	2.4	0.1	0.2
25 to 34 years	4,511	100.0	12.1	20.3	27.4	25.0	10.0	4.2	0.7
35 to 44 years	3,222	100.0	17.4	23.9	20.1	20.6	11.3	5.3	1.4
45 to 54 years	3,545	100.0	16.2	24.4	20.5	21.0	11.0	5.8	1.4
55 to 64 years	2,453	100.0	18.5	25.4	22.0	20.6	8.6	3.2	1.7
65 years and over	285	100.0	35.4	15.1	17.9	20.0	8.1	2.1	1.4

Source: Special Labor Force Report 203, U.S. Department of Labor, Bureau of Labor Statistics, Year-Round Full-Time Earnings in 1975, p. 38.

groups compared with that of men is much more heavily concentrated in the lowest earnings categories.

The net effect of the differences in the distribution of full-time earnings by age and sex was to produce sharply contrasting median earnings by age and sex in 1975 (see Table 3). The relative position of the 45 to 54 age group was very similar in 1975 to that of the 35 to 44 age group as far as the distribution by income class of the earnings of full-time workers is concerned. The earnings distribution of both age groups tended to be concentrated much more in the higher income classes than were the earnings distributions of younger and older age groups. It is the sharp drop in median earnings of year-round, full-time male workers 65 and over that is of particular interest.

These older male workers, relatively less educated and having started their working life at lower levels of earnings and often at lower skill levels as well, are heavily concentrated in jobs at the lower end of the earnings spectrum. Their continuing attachment to the full-time labor force in spite of their relatively inferior earnings indicates that either these particular older workers are strongly committed to the work ethic and/or their need for earned income to supplement, or often take the place of, inadequate public and private pensions requires them to remain in the full-time labor force.

The average yearly earnings of workers over 60 decrease as they get older because a larger and larger proportion of them do not work full time, full year. Even though a considerable proportion of older workers who do not work year-round at full-time jobs may prefer to work at reduced hours or for only part of the year, some of them work less than full time because they cannot find full-time work opportunities or because they are subject to social security earnings limitations that decrease their incentive to work.

What this review has disclosed is that in periods of rapidly changing levels of educational preparation older workers are likely to be handicapped by belonging to a cohort which acquired less formal preparation. But such gross differences in age groups which occurred early in the post-World War II era are not likely to be repeated. The apparent decline in average earnings with age obscures the fact that many workers who remain attached to their employer and who work full-time are

Table 3. Median earnings of year-round full-time workers by Age and Sex, 1975

	Men	Women
Total	$12,680	$7,598
16 to 19 years	5,723	4,563
20 to 24 years	8,502	6 551
25 to 34 years	12,592	8,238
35 to 44 years	14,415	7,783
45 to 54 years	14,446	7,349
55 to 64 years	12,955	7,518
65 years and older . . .	10,641	6,794

Source: Special Labor Force Report 203, U.S. Department of Labor, Bureau of Labor Statistics, Year Round Full Time Earnings in 1975, p. 36.

likely to be better off, not worse when they reach their fifties or even their early sixties. However, those who are weakly attached and must cope with the competition of younger workers may in fact suffer earnings losses as they move into their fifties.

4. Health, Disability, and Family Structure

However equivocal many correlations of aging may be, one thing is certain: as people get older they are more likely to suffer from minor or major health conditions that reduce or make impossible their participation in the labor market.

Recent investigations of those who have retired early from their jobs and of workers between the ages of 25 and 54 who are not in the labor force, as well as reports from the Social Security Administration, indicate that an increasing and now quite sizable proportion of individuals not in the labor force, particularly in the age group 45 to 54, give ill health or disability as the primary (often the only) reason they are not in the labor force.

As William Deutermann, Jr., sums up this recent development:

> Although the CPS data do not distinguish between "ill health" and "disability" the fact that an increasing number of men has been leaving the labor force because of disability was noted in a recent report from the Social Security Administration. According to the report, the number of disabled men deemed unable to work at all increased by about 44 percent between 1966 and 1972. Moreover, the number receiving disability benefits under the Old Age Survivors and Disability Insurance program increased from less than 800,000 in 1966 to over 1.2 million in 1972. Largely because of the changes in the eligibility requirements and increased awareness of the program, the number of the new disability benefits awarded each year

increased from 250,000 in 1965 to nearly 600,000 in 1975.1/

In 1976 individuals not in the labor force were asked why this was the case (see Table 4). Among those males black and white, under 60, a plurality of persons not in the labor force stated that they were "unable to work." Presumably this meant a physical or mental disability of sufficient gravity to preclude their working. It is interesting to note that there is a sharp fall in the proportion of male workers, both white and black, who claim that they are unable to work at age 60, and an even sharper fall in this proportion at age 65.

More than 40 percent of white males aged 40 to 44 who were not in the labor force in 1976 said they were unable to work. Only 7 percent of white males 70 and over stated that they were out of the labor force because they were unable to work. It is not clear how these data should be interpreted. On the other hand, a disability is a socially acceptable reason for not being in the labor force. Further, determinations of total disability lead to substantial life time Social Security payments and undoubtedly have induced an increasing number of individuals to file questionable claims.

The small proportion of older workers who say they are out of the labor force because they cannot work suggests that the excuse of poor health and disability, an acceptable rationale for younger people not working, is not needed by those who approach normal age of retirement.

Older black males are much more likely to say that they are not in the labor force because they are unable to work, but only 1 out of 4 black males aged 60 to 64 in the labor force says that he is unable to work, while 1 in 7 black males over 64 gives this as his reason for not being in the labor force. It is generally recognized by public health officials and students of occupational hazards and disabilities that the proportion of older black males who are subject to either occupationally

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1/ William Deutermann, Jr., "Another look at working-age men who are not in the labor force," in Monthly Labor Review, June 1977, pp. 11-12. The SSA report referred to is "Disability Insurance Program Issues and Research," by Mordechai Lando and Aaron Kruts, which appeared in the Social Security Bulletin, Oct. 1976, pp. 3-17.

Table 4. Percentage Distribution of Males Not in Labor Force by Reason, Age and Race: 1976

	Percent Not in Labor Force				
	Total	Keeping House	Going to School	Unable to Work	Other Reasons
Male:					
White					
35-39 years	100.0	3.0	9.6	36.2	50.7
40-44 years	100.0	3.3	5.9	41.7	49.1
45-49 years	100.0	3.7	3.2	43.5	49.9
50-54 years	100.0	2.3	1.4	41.3	55.0
55-59 years	100.0	2.2	0.5	33.9	63.5
60-64 years	100.0	1.6	0.1	17.0	81.2
65-69 years	100.0	1.4	0.0	7.1	91.4
70 years and over	100.0	2.3	0.0	6.8	90.9
Black and Other					
35-44 years	100.0	4.2	4.2	38.1	53.4
45-54 years	100.0	2.5	2.5	45.2	49.2
55-59 years	100.0	4.1	0.8	39.3	56.8
60-64 years	100.0	3.9	0.0	25.3	71.3
65 years and over	100.0	2.7	0.0	14.0	83.3

Source: Special Labor Force Report 199, Employment and Unemployment in 1976, U.S. Department of Labor, Bureau of Labor Statistics, Table 1, p. A-4.

induced work limitations or to other chronic health problems serious enough to limit work activity is significantly higher than it is for white males in the same age bracket.

One of the major findings of the National Longitudinal Survey of middle-aged men (aged 45 to 59 when the survey began in 1966) has been that older white and black males who do not suffer health disabilities have quite similar labor force participation rates to their white counterparts. Much of the lower labor force participation rates of older blacks is the result of long-standing health problems and lack of adequate health services. The problems of older workers are often the culmination of many decades of neglect, and nowhere is this more the case than in the area of occupationally induced limitations.

Several supplementary observations. The significant progress in the living conditions of the American people and the health services available to them is enabling a larger proportion of older people to reach their fifties and sixties in good health. Hence, they are better positioned on grounds of health to keep on working. But the fact that they are in full control of their bodies and their minds has apparently led some of them to opt for early retirement in order to better enjoy their latter years. And no matter how good their health is, they are likely to notice some slowing up if they look carefully at their younger co-workers.

The other long-term trends that are likely to affect in significant fashion the behavior of older persons with respect to work and retirement is their asset and income position, the working status of their spouse, and their expectations with respect to how they would like to spend their latter years. To note a few changes that are underway. More and more couples will reach their fifties and early sixties with both working full time. The fact that many families will have had two workers actively attached to the labor force for most of their lives implies that both of them will be eligible for full Social Security benefits and private or public pensions. Moreover, the families' asset position should be much improved over what it would have been if the traditional pattern of only the male working still prevailed. The fact that many upper and middle class Americans have moved from a two-car family to a two-house family is suggestive of what the future may hold.

On the other hand, one must note, even if it is difficult to assess, what a period of relatively high inflation, below double digit but between 5 and 10 percent, can do to erode the savings of older persons as well as the value of their pensions.

What then are the cautious generalizations that can be extracted from these demographic trends? First, the numbers and proportion of older workers will not increase significantly except for the over 70 group until the beginning of the next century. Second, older workers will be less disadvantaged in competing for jobs than the present generation because of the closing of the gap in the educational preparation between the younger and older age groups. Third, many more will reach their fifties and sixties in good health, thereby making it easier for them to keep on working if they so desired. Fourth, many more families will enter the retirement zone with more assets and potential income from Social Security and pensions--if inflation is brought under control. What remains moot is how these several factors will interact to affect the retirement and withdrawal patterns that have come to prevail which found only a small number of males and a smaller number of females active in the labor force beyond their 65th years as part-time, even less as full-time workers.

But demographic factors, important as they are, represent only one blade of the scissors. The labor market--that is, the manner in which older workers relate to jobs and work--must be probed. At that point we will have a clear view of the employment problems that older workers face and the policy options that confront a society to solve, or at least, mitigate them.

5. Labor Force Participation and Work Experience of Older Workers

Many workers are withdrawing from the world of work at an earlier age than they did a generation ago, but just how massive a decrease in labor force participation is involved is not always appreciated. In fact the number of male workers in the age range 45 and over who have been "lost" to the labor force because of declines in labor force participation since 1955 can be estimated at some 4 million. That is, if labor force participation rates for these older males had remained constant at their 1955 level, instead of declining, an additional 4 million workers would be in the labor force today.

The nature of these "lost" workers can be only roughly described from national data. Just over 700,000 are between 45 and 54; about 1.5 million are between 55 and 64; and close to 1.9 million are over 65. Slightly under 3.5 million are white; slightly fewer than 700,000 are black.

Between 1958 and 1967 the labor force participation rates of white males aged 35 to 44 and 45 to 54 showed only a slight downward trend, but the two older age groups, 55 to 64 and 65 and over, particularly the latter, displayed pronounced downward trends. All black male age groups over 35, however, experienced substantial downward movements, most evident in the two oldest age groups.

In the last decade the labor force participation rates of older white male age groups are characterized by marked downward trends, most pronounced for the two older age groups. Again, all black male age groups display much much rapid downward movements, very pronounced for age group 55 to 64.

The rate of decrease of labor force participation rates could continue, but it should be emphasized that labor force participation rates for the two older age groups have already reached quite low levels. In 1948 almost 90 percent of both white and black males aged 55 to 64 were in the labor force. Fifty percent of black males over 65 were in the labor force and almost the same proportion of white males.

For both white and black males 65 and over the rate in 1976 was only about 20 percent. It seems clear that in the future only a modest decrease is possible. By 1976 the labor force participation rate for black males aged 55 to 64 had fallen to about 66 percent, while that of white males of the same age group was about 75 percent. It is difficult to predict the future trend in the labor force participation rates of both black and white males aged 55 to 64, even more so the age group 45 to 54. The fairly rapid rate of decline of labor force participation rates for the age group 55 to 64 during 1968-1976, for both whites and blacks, suggests substantial further decreases in the next decade or two in the labor force participation if inflation or other forces do not reverse the trend.

More problematical is the trend in labor force participation rates for males between 45 and 54. The upper limits of this age group contains individuals who

qualify for early retirement under existing collective bargaining agreements, particularly blue-collar workers in some of the basic industries such as steel and automotive manufacturing. If the present trends are extrapolated, the labor force participation rates of white males aged 45 to 54 may drop to the middle of the 80th percentile by the end of the 1980s, and below the middle of the 70th percentile for black males.

In 1948 the labor force participation rate for both black and white males aged 45 to 54 was approximately 95 percent. Since this is an age group that has historically been considered part of the "prime age" male workers, and since in this decade workers firmly attached to an occupation or industry are likely to enjoy peak earnings, the loss to both the individual and to society of workers who withdraw from the labor force at this relatively early age must be a matter of concern.

In contrast to males, the increased participation of women in the labor force has been one of the great transformations of recent American economic and social life. When we compare labor force participation rates of white women of each age group in 1948 with labor force participation rates of these same age groups in 1976, the transformation is striking.

The rapidity of the change in women's labor force participation rates, particularly those of married women with children, surprised even the best informed students of the labor market. Projected labor force participation rates for women have continually understated the actual changes that occurred. A similar development may be emerging in the case of older individuals who have withdrawn from the world of work while they are still healthy and active. An ill-defined retirement role accompanied by many partly unforeseen stresses, including the powerful economic stress of inflation but not limited merely to economic adversity, may have combined to create a situation where a sudden realignment of the expectations and aspirations of those who have withdrawn from work is about to take place.

Howard N. Fullerton, Jr. and Paul O. Flaim have recently made projections of the size of the labor force between 1975 and 1990. The methodology behind these projections of the size of the labor force by age group for various years is basically simple and straightforward. Projections of age-specific labor force participation

rates that are modified extrapolations of existing trends are applied to estimates of the size of age-specific population groups. What stands out in these projections is that the absolute numbers of men in the older age groups who are projected to be in the labor force in 1985 and 1990 show little change from their numbers in 1975. Since younger male age groups display very substantial increases, the relative share of male workers over 45 in the labor force is projected to be substantially less than it was in 1975. In 1990 the projected share of the male labor force made up of men 45 and over is 30 percent. In 1975 the actual share of the male labor force made up of men 45 and over was 35 percent. Women 45 and over are projected to constitute 28 percent of the female labor force in 1990. Women in this age group actually made up 32 percent of the female labor force in 1975.

These projections highlight again that whatever problems older workers may face in the next decade or two will in all probability not arise because the labor force is due to be swamped with older workers. If anything, there may be a shortage of older workers with their particular combination of character traits, skills and experiences in specific industries and occupations. On the other hand, pressures from large and rapid increases in the number of younger workers are certain to impinge upon specific types of older workers.

These and other projections of the numbers of older workers by sex and race over the next ten to 20 years are risky. Perhaps the best strategy to adopt in such a situation is that suggested by Karl Taueber in his paper for the National Commission for Manpower Policy, "Demographic Trends Affecting the Future of the Labor Force."2/ According to Taueber, alternative projections, assuming different scenarios and including a wide range of assumptions, provide the policy community with the best underpinnings for their decisionmaking. A wide range of projections will emphasize how different policy options may affect desired outcomes.

Table 5 presents four alternative projections. As Taueber emphasizes, the purpose of such projections is not to suggest that the middle projections are the most accurate and are therefore the projections that should form the basis of policy, but rather to give the

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2/ National Commission for Manpower Policy, Demographic Trends and Full Employment, Washington, D.C., December 1978, pp. 113-16, 120-21.

Table 5. Alternate Projections of Labor Force Participation Rates for Selected Age Groups of White and Black Males, 1980, 1985, 1990 and 1995

Age group	Projection[a]	1980	1985	1990	1995
45-54 years					
Black males	1	80.2	76.3	72.3	68.4
	2	80.6	78.0	76.3	75.5
	3	81.0	79.5	79.5	79.5
	4	81.6	85.2	89.5	94.7
White males	1	90.9	89.0	87.0	85.1
	2	91.1	89.8	89.0	88.6
	3	91.3	90.6	90.5	90.5
	4	91.8	92.9	94.7	96.5
55-64 years					
Black males	1	58.5	49.4	40.4	31.3
	2	59.3	53.3	49.4	47.7
	3	60.1	56.8	56.7	56.7
	4	61.5	68.5	77.6	86.8
White males	1	73.0	70.1	67.1	64.2
	2	73.3	71.4	70.1	69.6
	3	73.6	72.5	72.5	72.5
	4	74.0	78.0	83.1	88.2
65 years and over					
Black males	1	15.9	11.2	6.5	1.8
	2	16.4	13.2	11.2	10.3
	3	16.8	15.1	15.0	15.0
	4	17.5	23.7	31.7	41.2
White males	1	16.6	11.9	7.3	1.7
	2	17.0	13.9	11.9	11.0
	3	17.4	15.7	15.6	15.6
	4	18.1	23.9	31.4	40.4

[a]See text for description of assumptions upon which the four projections are based. A recent news release from the Bureau of Labor Statistics describes new labor force projections to 1990 made by the Bureau of Labor Statistics. These projections are based upon three possible growth paths, high, intermediate and low. The projections make assumptions about possible changes in labor force participation rates which are somewhat similar, but not identical, to the assumptions we have used. Like Taueber, we have preferred to utilize four possible scenarios rather than three to avoid the impression that a middle projection is somehow the likely path and to emphasize the range of possibilities. In fact, we have not envisaged the most extreme possibility, that the rate of decrease in labor force participation rates for older male workers would continue to increase as it has done in the past twenty years. For preliminary details of these new projections, see U.S. Department of Labor, News, Bureau of Labor Statistics, (USDL 78-710) August 16, 1978.

policymaker a sense of the range of alternatives that the future may reflect, including those resulting from active policies or the default of policy.

One set of projections is based upon the assumption that the trend of decreases in labor force participation rates over the period 1968-1976 will continue for the next 20 years. A second set of projections is based upon the assumption that the rate of change of labor force participation rates reaches zero in 20 years. A third set of projections assumes that the rate of change reaches zero in the next decade. The last set of projections assumes, on the contrary, that the decrease in age-specific labor force participation rates terminates in 5 years and that henceforth these rates return to their highest post-war figure at the end of 20 years.

The first set of projections assumes that the forces that have produced the decreases in age-specific labor force participation rates will continue to be operative and that there are no counter forces that will set a limit to these decreases. This set produces the largest number of retired persons and also the highest proportion of persons who must be supported without working. At the opposite extreme, the assumption that labor force participation rates of older workers will reverse their long decline and return to a historical high point implies that strong counterforces will arise, perhaps including active manpower policies, and particularly the pressures from inflation.

Examination of Table 5 emphasizes the very large differences in final outcomes depending on the assumptions used. Hence the danger of simple extrapolation. The key challenge to every society is to determine the goals it seeks to achieve and to pursue them with vigor. Uncontrollable forces may interfere with the accomplishment of a specific goal but the likelihood of a serious shortfall is that much smaller once the society has set its sights and has begun energetically to pursue them.

The concept of the labor force is so broad that it can sometimes disguise the true nature of the specific relation of a demographic group to the world of work. A useful corrective to such possible misinterpretation is the data on work experience that are collected in the March supplement to the Current Population Survey.

Between 1967 amd 1976 there occurred a substantial decrease in the percentage of men in the age groups 55 and over who worked at any time during the year. Moreover, the percentage decrease was much greater for age group 65 to 69 than it was for age group 55 to 59: -15.9 percentage points as opposed to -6.8 percentage points. Interestingly enough, the decrease for men 70 and over was much smaller, only -5.3 percentage points. At the same time, only 18 percent of men 70 and over had any work experience during 1976. Although the percentage of women in these age groups who worked at any time during each of these two years, 1967 and 1976, also falls, the decreases are much smaller than in the case of men.

A comparison of work experience data for 1967 and 1976 reveals the shift to part-time work experience that occurred in the case of men and women workers aged 65 to 69. As a result, in 1976 almost 2 out of every 5 men and women workers aged 65 to 69 were working part-time schedules, while almost 3 out of 5 women workers in this age group were working part-time. It is also noteworthy that the majority of these part-time workers aged 65 to 69 were also working only part of the year. More than half of all men 70 and over with work experience during the year were part-time workers, and more than two-thirds of women 70 and over worked part time.

The same trend to lower participation rates with a growing emphasis on part-time, part-year work is found among males in the age groups 55 to 59 and 60 to 64.

The greatest change, however, took place in the two oldest groups. Fifty-eight percent of men aged 65 to 69 had some work experience during 1960, and of those with work experience, 70 percent worked at full-time jobs, 45 percent of them for the full year. In 1976, only 39 percent of all men in this age group had any work experience during the year, and of those with work experience, only 62 percent worked at full-time jobs, 38 percent for the full year.

In other words, about one-quarter of all men aged 65 to 69 in 1960 were working at full-time, full-year jobs. In 1976 only about 1 in 7 worked full time, full year. In 1960, one-third of all men over 70 had some work experience, and half of these men worked at full-time jobs, more than a third of them for the full year, or 1 out of every 10 men aged 70 or more. In 1976, only 18 percent of all men over 70 had any work experience, and only 1 out of 20 worked full time for the entire year.

If we compare the pattern of work experience for older women in 1960 with that of 1976, the most striking point to be observed is that the proportions of older women with some work experience during the course of a year has changed very little, except for those age groups 65 and over. Moreover, there has been little change in the proportions working full time or part time. However, women aged 45 to 54, 55 to 59, and 60 to 64 were somewhat more predisposed to work full time, full year in 1976 than they were in 1960.

There is no simple explanation for the decreases in labor force participation of older workers and the shift to part-time and part-year work experience. If blue-collar workers who were members of strong unions entitled to early retirement (under age 65) benefits are asked why they chose to retire before they reached 65, they overwhelmingly emphasize the importance of adequate retirement incomes. They place much less importance on the state of their health. Other factors appear trivial. Moreover, when pensions, private and public, permit them to maintain an approximation of their pre-retirement standard of living, the great majority express satisfaction with retirement.

The effect of Social Security payments upon the working patterns of older workers is also clear-cut. A large proportion of Social Security recipients elect to receive reduced benefits through retirement before age 65. The provision in 1961 of reduced benfits for men at age 62 was followed immediately by reduced labor force participation rates of men below age 65.

Some older workers, perhaps a considerable proportion, who have withdrawn from the labor force before they have reached their sixty-fifth birthday have done so willingly. The overwhelming majority of older workers no longer in the labor force do not say that they have left the labor force because they have, after a spell or more of unemployment, given up hope of finding a job. They are not therefore the "discouraged worker" picked up by the Current Population Survey questions about reasons for withdrawal from the labor force.

In addition, a considerable proportion of those workers who are mandatorily retired, usually at age 65, have felt, until recently at least, that mandatory retirement was the right move. These workers, too, will generally say no to questions that ask in effect: Did you leave the labor force because you became discouraged about finding employment?

Although, as we have indicated, a considerable number of older workers do work either part time or part year, the fact remains that large numbers of individuals who have held full-time, full-year jobs (a large majority of workers), abruptly cease to work when they retire, either before 65 or at age 65. The decision to work for these workers, therefore, seems to be an "either/or" decision.

Most social roles, even those that may appear to be "either/or" instances, do allow a good deal of variation in the intensity and completeness with which the individual fills the role. For example, a mother can be a "full-time" mother; on the other hand, a mother can, without giving up that role, combine it with other roles.

In the case of those occupations that permit the individual the greatest discretion in the choice of time and effort devoted to work--such as the self-employed and farmers--formal retirement does not usually take place, in part because there is no institutional framework for such action. A farmer or physician may, because of age or illness, slacken off or stop working but he does not usually retire at a set date.

Decisions to work and how much to work through most of an individual's life have been "more or less" decisions in which such factors as relative wage rates, nonwork alternatives, and the value of leisure time interact to change marginally the amount of time that an individual is willing to work. Why then should the decision to work of older individuals suddenly become a completely different kind of choice process whereby an individual makes a "yes or no" decision rather than "more or less"?

Powerful institutional forces must therefore come into play in transforming the decision about work, which has been up to that point in a person's life a marginal decision, into a "total" decision. One of the institutional forces that is involved is the social definition of retirement as an abrupt and complete cessation of work at a socially defined age sanctioned by the provision of private and public pensions. Retirement also has become defined socially to be the "goal" toward which a lifetime of work is oriented, a kind of reward for diligent and unremitting toil.

There is a pronounced asymmetry between the process by which the young become committed fully to work and the process by which older workers give up that commitment. In the case of youth, it is taken for granted

that the process will usually take a number of years and involve a good deal of movement among different kinds of jobs, with only a slow movement toward acceptance of a full commitment to work. For most, though not all workers, no such long-term process takes place involving a tapering off of a work commitment and entering upon a series of experiments with new relationships between work and nonwork activity.

Some older workers do indeed strive to achieve such a tapering off of their commitment to work, accompanied often by striking ingenuity and effort after conventional retirement to create a new relationship to work. In the case of others who have failed to reestablish a new relationship to work, there is often a keenly expressed desire to continue some work, and a strong sense of frustration at the lack of job opportunities, and resentment that "nobody wants us."

It is therefore desirable, when the subject of the massive withdrawal of older men from the labor force is under discussion, to avoid categorizing them as either "discouraged workers" or "voluntarily retired." Some are certainly discouraged, and others are voluntarily retired. Additional numbers have been forced to withdraw from work because of poor health. But a substantial proportion of early retirees have been not "discouraged" but rather "dissuaded" from continuing a work role. They have been encouraged to retire and are expected to retire at a certain age.

6. Occupational and Industrial Distribution

The great majority of older workers, whether in age group 55 to 64 or 65 to 74, whether male or female, are employed in a relatively small number of occupations. For example, more than a third of all male workers in 1977 were employed in 6 occupational groups out of a total of 44 occupational groups. Four of these 6 occupational groups were white-collar. Ten occupational groups accounted for one-half of employed males in this age group, while 14 occupational groups accounted for two-thirds of the group. Male workers 65 and over were even more concentrated in a handful of occupations. Four occupations accounted for one-third of employed males, 8 accounted for one-half, and 12 for two-thirds.

While the 8 craft occupations taken together accounted for about one-quarter of all employed males aged 55 to 64, only about 1 out of 7 employed males 65

and over was a craftsman. On the other hand, only 1 out of 12 employed males aged 55 to 64 was a service worker, while about 1 out of 7 employed males 65 and over was so employed.

The occupational concentration of older women is even more pronounced than that of older men. Three occupational groups--"other clerical"; "stenographers, typists and secretaries"; and "nondurable goods manufacturing operatives"--accounted for one-third of employed women aged 55 to 64; 6 groups accounted for more than one-half, 9 for more than two-thirds.

The forces that account for the existing age composition of specific occupations and changes in age composition over time are manifold. Some occupations demand physical qualities that are rarely found in older workers. Some occupations can be entered only after a long process of training and promotion and hence tend to be made up of older workers. Some occupations present little in the way of physical demands but offer high satisfications and incomes and therefore make it both possible and desirable for workers to remain attached to the occupation over an unusually long work-life.

In other cases, the age composition of an occupation may be primarily the result of the expansion (and contraction) path followed by an occupation over the life-cycle of a series of successive age cohorts. To these historical forces are added the effects of labor market institutional factors such as company personnel policies dealing with recruitment, training, promotion, and retirement, as well as collective bargaining agreements dealing with seniority, wages, and fringe benefits. In addition, long-term macroeconomic and social forces, such as levels of educational attainment, the appreciation of land values, and the rate of technological change, affect the age composition of specific occupational groups, which as a result of the interaction of all these factors may be heavily skewed toward older or young age groups.

The following occupational groups were characterized in 1970 and/or 1977 by a relatively high concentration of male workers aged 55 to 64: engineers (1977 only); physicians, dentists, and related practitioners; managers and administrators; carpenters (1970 only); foremen, machinists and jobsetters (1970); metal craftsmen; and farmers and farm managers.

As Table 6 indicates, the occupational groups characterized by high concentration indices for male workers 65 and over are rather different.

Changes in the age composition of specific occupations between 1970 and 1977 were generally moderate, with the exception of several occupations in the age group 65 and over. With a few exceptions such as "farmers and farm managers," occupations with a disproportionate number of older persons are either those marked by long educational and training paths preparatory to full occupational status or those marked by considerable flexibility in work scheduling and retirement decisions.

A few occupational groups such as "mineworkers" underwent a major change in age distribution. Between 1970 and 1977 the age distribution of miners underwent a pronounced shift to younger age groups away from the age group 45 to 64. The occupation requires, for many of its workers, a high degree of skill and experience, but in this instance a transformation of the age composition nevertheless occurred in the space of seven years.

Just as older workers tend to be concentrated in a relatively small number of occupations, so, too, are they heavily concentrated in relatively few industries. More than a third of male workers aged 55 to 64 are employed in 5 industries out of 51; more than half are found in 10 industries. Construction and "other retail trade" together account for almost one-fifth of all male workers in this age group.

Male workers 65 and over are even more concentrated in a handful of industries. Agricultural production and "other retail trade" alone account for almost three-tenths of these older males. Six industry groups account for half of all male workers 65 and over, and none of the manufacturing industries accounts for as much as 3 percent of this age group.

Two industries, "other retail trade," and "educational services," employ 3 out of 10 women aged 54 to 65. Six industries account for one-half of women in this age group. These industries are either service industries or retail trade (including eating and drinking places). Only apparel manufacturing employs as many as 3 percent of women aged 55 to 64. Women over 65 are still more concentrated in a few industries. Four out of 10 are found in 3 industries, "other retail trade,"

Table 6. Occupations With High Concentration Index[a] For Selected Male Age Groups, 1970 and 1977

Occupational group	Concentration index: Males 55-64 years		
	1970	1977	Change
Engineers	95	133	+28
Physicians, dentists and related practitioners	126	116	–10
Managers and administrators, salaried, manufacturing	143	155	+12
Managers and administrators in other industries	130	122	–4
Managers and administrators, self-employed in retail trade	160	174	+14
Managers and administrators, self-employed, other	157	170	+13
Carpenters	126	105	–24
Foremen, nec	143	153	+10
Machinists and job setters	135	114	–21
Metal craftsmen, excluding mechanics, machinists and job setters	134	132	–2
Farmers and farm managers	149	145	–4

Occupational group	Males, 65 years and over		
	1970	1977	Change
Physicians et al.	200	208	+8
Health workers, except practitioners	152	18	–134
Other professionals, self-employed	354	249	–105
Managers and administrators, self-employed in retail trade	189	177	–12
Managers and administrators, self-employed, other	194	208	+14
Sales workers, retail trade	135	121	–14
Bookkeepers	240	226	–14
Carpenters	159	115	–44
Cleaning service workers	243	185	–58
Personal service workers, except private household	146	182	+36
Protective service workers	170	161	–9
Farmers and farm managers	426	515	+89
Farm laborers and supervisors	170	164	–6

[a]The concentration index is constructed by dividing the percentage of a particular age group in a particular occupation by the percentage of the total number of workers in that age group. If 20 percent of all male workers are aged 45-64 and 40 percent of mineworkers are aged 45-64, then the concentration index for mineworkers aged 45-64 is 200 (40/20 x 100). When the concentration index is 125 or over, we term it "high".

"private household service," and "educational services."

While most older men and women are employed by nonmanufacturing industries, a number of manufacturing industries have a heavy concentration of their work force in the age group 45 to 64. Among the 10 industries with the largest proportion of their male work force in this age group are: postal (54%); aircraft manufacturing (52%); petroleum (49%); railroads and railway express (41%); chemicals (40%); leather and not specified manufacturing (39%); primary metal manufacturing (38%).

Industries having a heavy concentration of male workers aged 55 to 64 are "state government," "other federal," and "other public utilities," in all of which about 1 worker in 6 is aged 55 to 64. Aside from agricultural production, "insurance and real estate," "tobacco manufacturing," and "leather and not specified manufacturing," all of the industries that have a relatively large proportion of workers 65 or over are service industries.

The industries that tend to have the highest proportion of women aged 45 to 64 in their female work force include the following: postal (45%); aircraft manufacturing (45%); ordnance (40%); tobacco manufacturing (40%); fabricated metals (38%); local government (36%); leather and not specified manufacturing (35%); textiles (34%); stone, clay, and glass (33%); food manufacturing (33%).

The list of industries that have the highest proportion of women aged 65 and over is, as in the case of men in the same age bracket, largely composed of service industries and government.

The following industries were characterized by a relatively high concentration of males aged 45 to 64 either in 1970 or 1977: ordnance, primary metals (1977); tobacco manufacturing (1970); chemicals (1977); petroleum, leather and not specified manufacturing (1977); railroads and railway express, other public utilities (1977); insurance and real estate (1977); welfare and religious (1977); postal, other federal government, other transportation equipment (1977).

The list of industries in which there is a relatively high concentration of women aged 45 to 64 is shorter; it is made up of a handful of manufacturing

industries, along with local government and postal. As in the case of men 65 and over, women in this age bracket are concentrated in the service industries and government.

Whether the large increases between 1970 and 1977 in the percentage share of men and women aged 45 to 64 in a relatively few industries represent the effect of the aging of the cohorts that composed the 1970 work force, accentuated by relatively low growth in the industry's total labor force, or whether these industries were particularly attractive to workers aged 45 to 64 and therefore were characterized by relatively low rates of early withdrawal from the labor force, is not clear. The first explanation is probably closer to the truth.

The case of the automobile industry is of some interest because there was a small increase between 1970 and 1977 in the percentage share of its work force made up of males aged 45 to 64. This increase seems to have been largely the result of increases in the two age groups 45 to 49 and 55 to 59. The age groups 60 and over as well as the age group 50 to 54 showed a slightly decreasing share.

Liberal early retirement benefits that have characterized this industry in recent years have not, contrary to the popular opinion, shifted, at least up till now, the age composition of automobile workers rapidly downward. The evidence drawn from the seven years from 1970 to 1977 shows a relatively stable age composition.

The role that age plays in allocating occupations and jobs is less clear-cut than that of sex. As the age structure of the entire labor force changes, necessarily in a relatively slow fashion, it is inevitable that the age structure of specific occupations and specific industries must also change. On the other hand, it is probable that the age structures of certain occupations and industries are relatively protected against such changes, which implies that a disproportionate share of the shifts in age structure must fall upon the remaining occupations and industries.

The institutional character of an occupational or industrial labor market is a critical determinant of the response of an occupation or industry to changes in the age structure of the labor force. Consider, for instance, the effect of a downward shift in the age

structure of the labor force as a whole upon the occupation of "engineer" in the railway industry. If an industry (or an occupation within it) is declining in size but confronts powerful unions with rigid work rules, strong seniority provisions in collective bargaining agreements, and strategic power over the nation's economy, it is likely that the age structure of the industry, and particular occupations within it, will move counter to that of the nation's labor force, as is in fact the case here.

As both economic theory and sociological theory lead one to expect, the age composition of a firm's labor force is strongly influenced by the skill mix arising from its underlying technology. At the same time, a firm whose growth path has been idiosyncratic and that is located in relatively small labor markets will have an age structure strongly influenced by its own history.3/ If a firm must rely primarily upon the local labor market for skills at all levels and at the same time is characterized by rapid turnover, perhaps because its output level is quite variable, the firm's occupational age structure will tend to reflect the age structure of occupations in the local labor market.

3/ John M. Smith has examined the age composition of English occupations. According to Smith, two hypotheses could account for age structures of occupation. What he calls hypothesis H asserts that an occupation's age structure is "a blurred picture of the history of that occupation." Hypothesis A, on the other hand, holds that the age structure of an occupation is determined by the age-related characteristics of workers that are matched to occupational demands (e.g., pilots must be young because the young have quick reaction times and piloting a plane requires those reactions). His test procedure, involving predictions from 1961 census data to 1977 census results, using first one hypothesis and then the other, seems to demonstrate that Hypothesis A is a more satisfactory predictor of the age composition of occupations. See John M. Smith, "Age and Occupation: The Determinants of Male Occupational Age Structures--Hypothesis H and Hypothesis A," Journal of Gerontology, Oct. 1973, pp. 484-90.

If, on the other hand, the firm depends primarily upon its own internal labor market and has only a few entry points, confined to young workers, then its occupational age structure will be heavily influenced by the nature of its own job ladders and the length of time it takes an individual to move from one occupational level to another. The expansion path followed by the firm's growth, coupled with its turnover rate and the structure of its internal labor market, may on occasion produce an occupational age structure that is highly atypical.

The age structure of a firm's managerial, professional, and technical personnel is largely the outcome of its promotion policies and its views of the age-related capacities of individuals who fill these occupations. The age structure of scientific, engineering, and technical personnel in firms that have been technological leaders is a matter of particular concern to their management. These firms often recognize that they must maintain a large pool of highly educated, highly motivated technical and scientific personnel if they are to stay at the head of their industry. On the other hand, such a firm runs the risk that many highly educated and highly paid personnel will slowly become obsolescent.

The age composition of farmers illustrates the interaction of specific institutional, technological, and economic forces, in this instance helping to produce an age composition highly, and increasingly, skewed toward the older age brackets. The development of farming technology has put a premium upon responsible, skilled, and innovative farmers while decreasing the physical demands upon them. Older farmers are able to cope with such work, and rising land values and individual ownership of farms also have encouraged farmers to hold onto their land as long as possible.

7. Mobility and Job Search

Job security, embodied in and protected by seniority, is, next to increased wages (and sometimes even transcending wages), a paramount goal of trade union activity. Job security is very closely related to tenure on the current job. In January 1968, 72 percent of male workers over 70 had held their current job more than 15 years, and over a quarter had held it for over 35 years. Over 50 percent of male workers 60 to 64 had held their current jobs for over 15 years, and 1 out of 7 male workers in this age bracket had held his current job for more than 35 years.

Older women workers have, on the average, held their current jobs for much shorter periods, but even among them one finds (1960) a surprisingly large proportion, for example, about one-third, aged 60 to 64 who had held their current job for at least 15 years in January 1968.

The most recent Special Labor Force Report of the Bureau of Labor Statistics specifically devoted to length of job tenure was issued in 1975.4/ This report points out that the average length of job tenure declined from 4.6 years in January 1963 to 3.9 years in January 1973. Figure 2, taken from this report, shows how median years on the job varies by age and sex. By age 40 to 44 the median number of years men have held their current jobs is about eight.

Figure 2 illustrates the relationship between length of job tenure in January 1973 and age. Although a pronounced difference in length of job tenure between men and women is evident, and although the absolute difference in job tenure between men and women tends to increase with age, the relative difference decreases after age 50. By age 60 to 64 the median length of time women held their current jobs in January 1973 was almost ten years, compared to 15 years for men in this age bracket.

Whereas all age groups of white males held their jobs somewhat longer than black males, the difference was relatively small for age group 45 to 54. The median tenure on current job was less for all age groups of white women than for black women.

Not only is the median tenure on current job for all age groups over 45 relatively long, but the proportion of all male age groups, white or black, that had held their current job less than three years is quite low, less than 20 percent.

Tenure on current job is directly related to mobility. Mobility, however, has multiple dimensions, since industrial and occupational mobility often necessitate geographical mobility. An older worker might be quite

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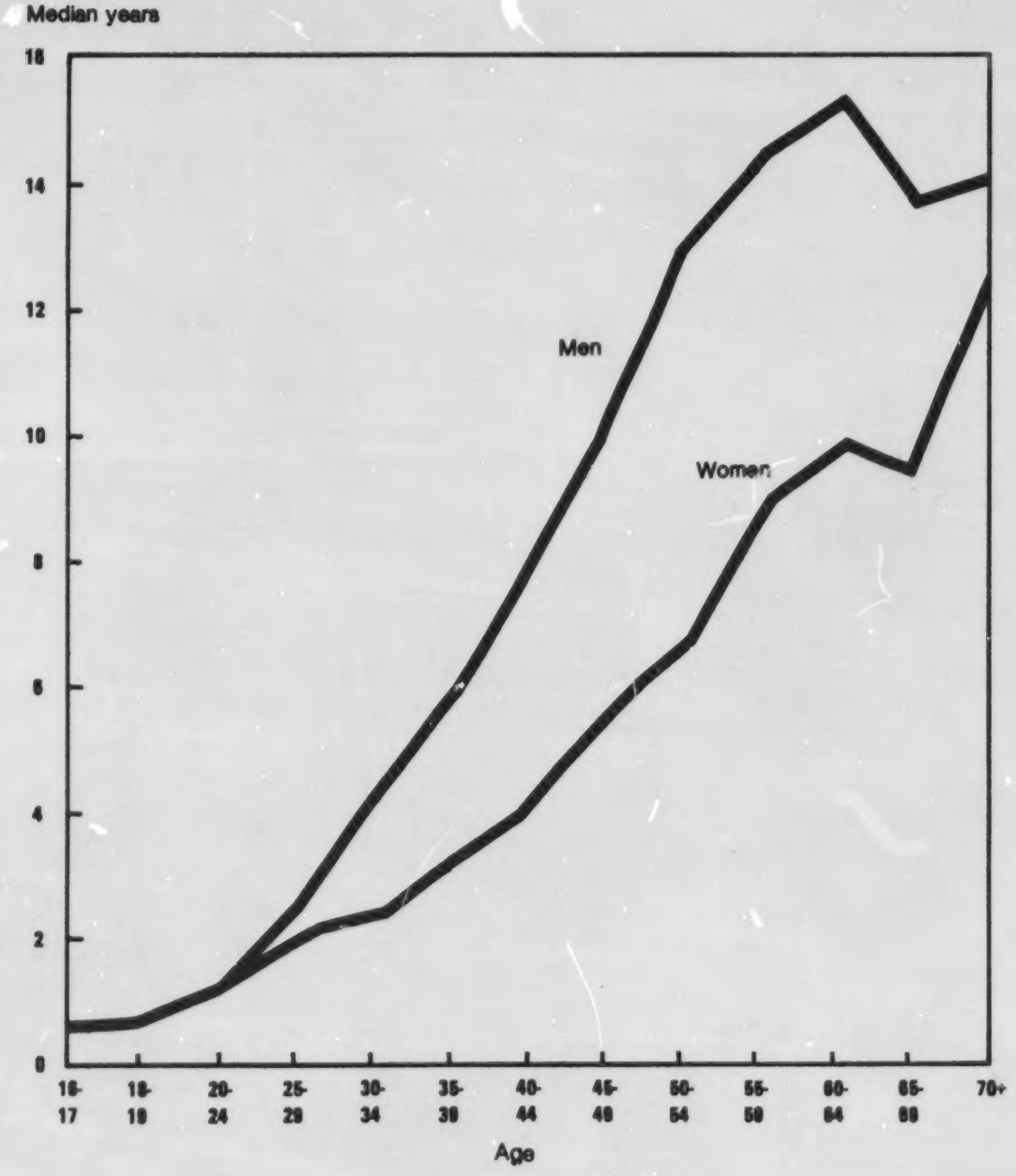
4/ Job Tenure of Workers, January 1973, Special Labor Force Report No. 172, U.S. Department of Labor, Bureau of Labor Statistics.

Figure 2. Median years on job by age and sex, January 1973



Source: "Job Tenure of Workers, January 1973," Special Labor Force Report 172, U.S. Department of Labor, Bureau of Labor Statistics, 1975, p. 54.

willing to change his residence. In some cases, a reluctance to change location may mean unwillingness to leave his immediate house or immediate neighborhood; in others it may mean a reluctance to move beyond the boundaries of his home town. If a particular locality's labor market offers little in the way of occupational or industrial diversification, the reluctance of older workers to change their residence will tend to produce a misleading appearance of occupational and industrial immobility on their part. Indeed, the observed high degree of occupational mobility of young workers may be in part a function of their seeking to move to a new location.

A recent Special Labor Force Report of the BLS dealing with occupational mobility, No. 176, points out that "it may be stated as a socioeconomic law that as age increases, mobility decreases."5/ In general, the report emphasizes that occupational mobility patterns have been stable over time, and in particular, that mobility rates in 1972 "showed the familiar statistical pattern of relationships with other variables that analysts have come to expect: a strong negative correlation with age, with length of time on current job, and with level of occupational training. ..."6/

As Table 7 shows, there is a rapid decline in occupational mobility rates between the 25 to 34 age group and the 45 to 54 age group. In 1972 1 out of 8 males in the 25 to 34 age group changed occupation; about 1 out of 30 males aged 45 to 54 changed occupations during the same year. Occupational mobility rates for women in the older age groups were much the same as those for men. Moreover, occupational mobility rates for black males were very similar to those for white males. Black women of all age groups, except those 55 to 64, had relatively low mobility rates.

Although few older workers in any one year change occupations, over the entire 45 to 64 age span, a significant number of older workers do face the prospect of occupational change, either desired or forced. It therefore becomes important to look at the ways older workers, in comparison with younger workers, both approach and carry out the process of job search.

5/ Occupational Mobility of Workers, Special Labor Force Report No. 176, U.S. Department of Labor, Bureau of Labor Statistics, 1975, p. 54.

6/ Ibid., p. 58.

Table 7. Occupational Mobility Between January 1972 and January 1973 of Employed Persons, by Age, Sex, and Race

(Percent Distribution)

Age and sex	Total employed January 1973		Status in January 1972				Occupational mobility rate[a]
	Number (in thousands)	Percent	Same occupation	Different occupation	Unemployed	Not in labor force	
MEN							
Total, 18 years old and over, not in school	47,901	100.0	83.7	8.3	3.1	4.9	9.0
18 and 19 years	1,663	100.0	36.0	21.4	8.3	34.2	37.3
20 to 24 years	5,705	100.0	57.7	18.2	7.3	15.9	24.9
25 to 34 years	11,939	100.0	81.4	11.5	3.6	3.4	12.4
35 to 44 years	9,974	100.0	90.5	6.0	2.1	1.4	6.2
45 to 54 years	10,067	100.0	93.5	1.4	1.8	1.2	3.5
55 to 64 years	6,798	100.0	94.0	2.5	1.5	1.9	2.8
65 years and over	1,755	100.0	92.3	1.9	1.5	4.7	1.7
White	43,288	100.0	84.0	8.2	3.0	4.8	8.9
Black and other races	4,613	100.0	81.2	8.5	4.2	5.9	9.5
WOMEN							
Total, 18 years old and over, not in school	29,474	100.0	77.1	6.9	3.1	12.9	8.2
18 and 19 years	1,385	100.0	31.3	17.8	7.2	43.6	36.2
20 to 24 years	4,670	100.0	60.6	13.9	5.7	19.9	18.7
25 to 34 years	6,438	100.0	79.3	8.1	3.2	15.5	9.9
35 to 44 years	5,810	100.0	81.2	5.4	2.8	10.7	6.3
45 to 54 years	6,157	100.0	88.3	3.1	2.2	6.4	3.3
55 to 64 years	4,047	100.0	91.9	2.2	1.5	3.3	2.4
65 years and over	967	100.0	89.3	2.3	.7	7.8	2.5
White	25,793	100.0	78.8	7.1	3.0	13.3	8.5
Black and other races	3,681	100.0	80.2	5.3	4.3	10.1	6.2

[a] Rate reflects the proportion of workers employed in both January 1972 and January 1973 who had a different occupation in January 1973 than in January 1972.

Source: "Occupational Mobility of Workers," Special Labor Force Report 176, U.S. Department of Labor, Bureau of Labor Statistics, 1975, p. 54.

In The Job Hunt, Harold Sheppard and Harvey Belitsky emphasized that older workers (those over age 39) had significantly more difficulty in finding new jobs. Their conclusion bears repeating:

> It is clear from our study that re-employment of the unemployed older worker is definitely related to the images he has of the labor market (and his chances of finding a new job), to job-interview anxiety and similar factors. In addition, he faces discrimination on the part of employers and agencies (The Job Hunt, p. 220).

The findings of Sheppard and Belitsky, although they relate to a heavily industrial local labor market and to economic conditions during the mid 1960s, reinforce a view that other investigators have stated. Simply put, most older workers fare either quite well or moderately well in the labor market, in terms of employment, wage rates, and other important labor market variables, while a significant minority encounter severe problems.

These are those older workers who, according to Sheppard and Belitsky, are characterized by low achievement levels and high levels of interview anxiety. Older workers with these characteristics encounter severe problems when they are faced with unemployment because of their relatively unaggressive and inefficient job-seeking behavior. These older workers are probably most prone to withdraw from the labor force entirely if their job search proves unsuccessful. Their experience confirms their pessimism which reduces their job search.

From 1970 to the present, data are available from the CPS on job-seeking methods used by the unemployed (see Table 8). Older male jobseekers used somewhat fewer methods than did those in the 35 to 44 age group, but female jobseekers of all age groups show practically no difference. Except for a tendency of the oldest age group of male workers not to place or answer advertisements quite as frequently as the two younger age groups and to use employment agencies less frequently, jobseekers in the three older age groups in general use much the same methods as younger workers. Nor is this surprising. Older workers to a large extent must compete with younger workers for the same range of jobs and are therefore forced to resort to the same types of job searching.

Table 8. Age and Sex of Jobseekers Using Various Jobsearch Methods[a]

	Public Employment Agency	Private Employment Agency	Employer Directly	Friends or Relatives	Placed or Answered Ads	Other	Average Number of Methods Used
Male:							
35-44 Years Old							
1971	40.9	15.1	67.1	18.7	26.7	14.2	1.83
1976	39.6	10.8	69.0	16.7	27.9	11.8	1.76
Change 1971-1976	–1.3	–4.3	+2.9	–2.0	+1.2	–2.4	–.07
45-54 Years Old							
1971	39.2	14.1	66.1	17.6	25.1	16.7	1.78
1976	32.6	8.8	66.0	19.9	25.4	14.4	1.71
Change 1971-1976	–6.	–5.3	–0.1	+2.3	+0.3	–2.3	–.07
55 Years and Older							
1971	30.9	10.2	61.0	19.1	22.0	18.6	1.63
1976	28.8	4.6	67.6	18.6	23.2	11.8	1.55
Change 1971-1976	–2.1	–5.6	+6.6	–0.5	+1.2	–6.8	–.08
Female:							
35-44 Years Old							
1971	27.1	7.9	68.3	12.5	27.1	3.8	1.47
1976	26.8	5.2	67.6	14.0	34.7	3.2	1.52
Change 1971-1976	–0.3	–2.7	–0.7	+1.5	+7.6	–0.6	+.05
45-54 Years Old							
1971	26.3	8.6	67.2	15.6	27.3	4.0	1.52
1976	29.1	5.8	64.7	13.1	33.5	4.4	1.51
Change 1971-1976	+2.8	–2.8	–2.5	–2.5	+6.2	+0.4	+.01
55 Years and Older							
1971	28.8	9.1	62.1	15.9	29.5	6.8	1.52
1976	24.3	6.1	67.8	15.0	32.2	5.1	1.51
Change 1971-1976	–4.5	–3.0	+5.7	+0.9	+2.7	–1.7	–.01

[a]Percentages do not add to 100% because some jobseekers used more than one method.

Source: Employment and Training Report of the President 1977, U.S. Department of Labor, p. 176-177.

8. Employment Problems of Older Workers

The older worker perceives many of his problems as arising from either overt or covert discrimination against him simply on the grounds of his age. He is likely to conclude that he is being discriminated against because of age particularly when he is forced to search for a job. To some extent, his perception that he has been subjected to age discrimination may be a way in which he contends with his lack of success in finding a job that is as satisfactory as the one has has lost. His subjective perception may really be a means of avoiding coming to grips immediately with the fact that his value to other firms may be less than was his value to his former employer. On the other hand, his perceptions are often well grounded in fact.

For many workers now in their forties, fifties, and sixties, the period from 1945 to the present has been one of almost uninterrupted employment with generally rising money and real incomes. Many of these workers, as we have pointed out, have attained very long tenure in their current jobs. It is these workers who have on the average received considerable formal and informal training.

Such workers, continuously employed at rising wages and salaries, have come to believe that it is normal for their hourly wage or monthly salary to keep increasing. If, because of some untoward circumstance, they must leave their present employment involuntarily, these workers often have quite unrealistic opinions about their worth to other firms. The gap between what they have been earning and what they are offered, unless they possess quite unusual combinations of skill and experience, may be so great that these older unemployed workers fail to search effectively for jobs.

If they find and accept a job that pays much less than their previous employment, while it offers them substantially lower status and less satisfaction, the temptation to leave is often powerful. Rather than revising their sense of self-worth, they often find some aspect of their new job to be intolerable. Several experiences of this kind can break what only a few years earlier was their strong attachment to work.

Many older workers are woefully ignorant about the kind of labor market they may have to contend with. If they have been employees of a large company or belonged to a strong craft union, they have taken for granted a

host of institutional rules that regulate the relationship between employer and employee. One of the more important has been the practice of seniority and job ladders and clusters. Ironically, these institutional rules that formerly gave protection and order to their working life may now prevent them from finding employment with another large firm. Other factors also work in the same direction--particularly pension costs.

Not being able to find employment in a highly structured employment system, these older unemployed workers may be forced into labor markets that are much more competitive. The industries and occupations that make up these competitive labor markets differ in important ways from those found in the highly structured employment systems characteristic of large-scale employers, private, not-for-profit, or public. The unemployed older worker who has spent most of his adult life working for a large employer, who has been part of an "internal labor market," has little or no preparation for the kind of job search that is most appropriate to the new kinds of industries and occupations that provide the most likely source of employment opportunities.

To the extent that the older worker acts on obsolete labor market information, his job search will be misguided and the return for his job search efforts will be low. When young, a worker builds up an image of the labor market through a myriad of channels of information, much of it informal and imprecise. Such images of reality persistent, even though the reality itself may have altered in critical ways.

A major part of the labor market information that a worker actually accumulates to guide him in his job search is drawn from friends and acquaintances, who also provide him with guidance and cues for action. The young worker is surrounded by peers who are going through much the same kind of long-term process of developing lasting commitments and relationships with employers. The older worker faces a different situation. Relatively few of his age mates are searching at any one time, while those who do search are often experiencing painful and disappointingly long periods of search. Some of his friends, particularly those who are a few years older, have contemplated early retirement or even elected to retire.

The critical cue the unemployed older worker may get from his peers, therefore, may be that, rather than undergo a fruitless or humiliating search for a job, he

should accept with more or less good grace the fact that early retirement is desirable and socially approved. Indeed it is partially sanctioned and supported by private pension plans and provisions of the Social Security Act that he can retire at age 62. The unemployed older worker is, to put it briefly, primed to withdraw from the labor force.

The existence of a social norm for retirement, no matter how instable or weak it may be, highlights the fact that the utilization of older workers is to a high degree the product of social as well as more narrowly economic forces. This is particularly the case for those labor markets that are highly structured. Into these structures, and as a result of the structures themselves, are built a complex set of age gradations and mobility processes. Their net outcome is a particular system of age stratification.7/ Moreover, this age stratification of the labor force is related in complex and little-understood ways to other stratification systems.

Many economists have asserted, following Gary Becker's lead, that discrimination in a competitive labor market can exist only if employers and/or employees have a sufficiently strong distate for workers from certain demographic groups to create and maintain wage differentials where there is no actual difference in the productivity of workers. Kenneth Arrow has pointed out that where such wage differentials exist, market forces over time ought to drive out the discriminating firms by making those firms that discriminate less profitable than those that do not.

Although various kinds of antipathies, irrational fears, and prejudices have led in the past and still lead to a discriminatory behavior against some ethnic or racial groups, it is hard to think of any reason why age per se should cause discriminatory behavior on the

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7/ See the work of Seymour Spilerman on the relationship between mobility patterns, age compositions, and the structure of labor markets: "Career, Labor Market Structure and Socioeconomic Achievement," American Journal of Sociology, Nov. 1977, pp. 551-93; "The Age Structure of Occupations and Jobs," unpublished paper available from the author.

part of employers and/or employees. There may be a latent antipathy between young and old, irrational and even almost unconscious. This sentiment, however, while it might explain why young workers would prefer not to work with older workers and hence be willing to discriminate against them, would not explain why the firm, generally in control of older executives, would discriminate against older workers. Quite the contrary would be likely to happen: older employers favoring older workers because they fear or mistrust younger workers.

Some labor market analysts believe that there are other sources of behavior that are discriminatory, based not upon a "taste for discrimination" or irrational fears or prejudices but rather upon the way labor markets and employers actually operate. As these analysts see it, a large proportion of labor market transactions are based upon queues of workers seeking particular jobs. The employer's task is to somehow maximize the possibility, subject to all kinds of institutional constraints, that his selection of workers from these queues will give him the most productive labor force.

The employer is ignorant of some of the qualities of individual applicants, and it is expensive, and perhaps impossible, to determine these qualities with any certainty. On the other hand, his past experience and the experience of his peers have led him to believe that different demographic groups, on the average, have different productivities. If this is the case, he may decide that the best way he can order queues is to ruthlessly place people in the queue according to what group they belong to and not to try to deal with individual differences at all.

If an older age group is, on the average, ranked below a younger age group in productivity, then all of the younger age group will be hired before any of the older age group. An older worker who has entered the queue before a younger worker and knows that he is more productive than the younger worker may see the younger worker hired before he is, and his natural (and proper) conclusion is that he has been subject to age discrimination.

There is another characteristic of the labor market that produces behavior on the part of employers that may understandably strike the older jobseeker as discriminatory. Large- and medium-sized firms (and to some extent even

small firms) may have decided that it is best to make promotions, wherever possible, from among existing personnel, and to hire new workers from outside the firm at only a few entry points. Where such institutional features are highly developed, it is simply impossible for an older jobseeker to enter a firm at anything approximating his former job level. Moreover, it is usually the policy of the firm to hire only younger workers at the entry points. Firms justify such procedures on the grounds that they expect to promote workers over time out of these entry-level jobs into higher-level jobs, meanwhile providing them with formal and on-the-job training. Giving such jobs to older workers interferes with the orderly development of their labor force over time. As far as the older worker is concerned, however, such policies are discriminatory.

It should be noted that one type of discriminatory behavior on the part of the firm, restricting entry-level jobs to young workers, is the obverse of a system of promotion and job security that has developed in part to favor older workers. This system does protect older workers, but it increases the burden upon those older workers who for one reason or another lose this shelter.

Systems of promotion may tend to favor older workers in some instances, but at the same time many older workers believe that the promotion policies of firms discriminate against them. If the shape of the hierarchical pyramid of the firm is narrower than that of the age distribution of its work force, then it is simply a matter of arithmetic that some older workers will find themselves passed over when the time for promotion arrives.

Many firms do not promote an individual, once he is past a given age, unless he has already attained an appropriate grade. As a result many workers find themselves reaching what has come to be called a plateau, usually in their late forties or early fifties. They have come to the end of the promotion possibilities that are available to them.

Older workers are often troubled by the promotion policy and procedures of their employer, particularly as they reach their late fifties. They are likely to feel threatened. If they have been passed over, they feel slighted and suspicious, and their confidence in their capacity to perform at even their existing level is often undermined. Many of these older workers can be

induced to retire. When their company actually makes a favorable pension offer to them, they will often take it. At the same time, many of them do not feel that they have been fairly treated, and their retirement, although seemingly voluntary, is accompanied by feelings that their productive life has been shortened and their worth denied.

Closely connected with promotion policies and procedures are the ways in which training opportunities are allocated to members of the firm's work force.

From the firm's point of view, there are often powerful economic and organizational motives for selecting younger workers for the most intensive and expensive forms of training. The operation of the firm's internal labor market may depend upon the preparation of younger workers on lower levels for movement to higher level jobs.

The payoff period for such training may be quite short, being determined not by how old the worker is, but rather by the length of life of the particular technological process for which the worker is being trained. If the rate of obsolescence of technology is very high, then the expected effective life of the training investment may be the same for older workers as it is for younger workers. In fact, the return for training investments made on older workers may in many instances be higher because they are more likely to stay with the firm.

Older workers, however, often do not take advantage of training possibilities open to them. Older workers often feel anxious and uncomfortable in formal training sessions, competing with younger, better prepared workers, and feeling threatened by failure. Moreover, failure in such circumstances is often perceived to be something that will damage the older worker's overall situation in the firm. It may seem better to avoid the danger entirely by rejecting the offer.

Investigators of age differences in the learning process emphasize that the training of older workers must be sensitive to their needs and feelings. If the training is geared to the pace of younger workers, if it does not make allowances for the special needs of older workers, the anticipation of failure that prevents many older workers from accepting offers of training is often realistic.

Informal on-the-job training is something that it is inherently hard for older workers to engage in. Such training often depends upon a kind of patron-client

relationship between a new and young worker and an older and experienced worker. The young worker is taken under the wing of the older worker or group of older workers and shown the ropes. Older workers find it difficult to strike up the kind of relationship in which they are the recipient. If, for example, an older worker does not know how a new computer works and a younger worker does, it is not easy for the younger worker to instruct the older.

Many executives are afraid to ask younger colleagues about a new technology or procedure for fear of exposing their own ignorance. And this fear, of course, creates even more ignorance, so that finally the gap in knowledge may become unbridgeable. When technologies are changing rapidly and much of the training required to understand and manipulate the new technology is conveyed through specialized formal instruction, almost all of particular age groups of specialized personnel, such as engineers, doctors, and so forth, may feel quite threatened by the competence of their younger colleagues and the possible exposure of their own failure to keep up with their field.

How to prevent such age gaps in know-how from arising in the first place, and how to ameliorate the situation once it has arisen, is not easy. Until the prevalence of the situation and the anxiety and fear that it creates are more widely admitted, the older age groups will deny that the situation is as bad as it is, and the younger age groups will point to the situation as another instance in which older age groups use the power of their age-related status to hold down and frustrate the capacities of the young.

Demotion in title is seldom used by large organizations. It is perceived as so demeaning that most workers will resign from the firm that threatens to demote them or, if protected by a strong union, initiate grievance procedures to prevent the demotion. Demotion in function, however, is on occasion used by firms to put increasing pressure upon older employees to leave the firm.

In general, however, large employers, and their employees, do not consider demotion a desirable policy for retaining older workers in less demeaning jobs. Whatever the explanation, most workers would rather leave a firm than be demoted, even though they may be perfectly aware that they will probably have to accept

an even less desirable job in another firm if they want to continue to work.

Finally, some older workers have felt discriminated against because they have been forced into early retirement. Others believe that they have been dismissed by companies that are trying to avoid pension obligations--a policy that was probably fairly common in the past, but that is now, with the relatively early vesting provisions of ERISA, the new federal law dealing with pension systems, less likely to be the case.

But if forced early retirement is rare, it is a complaint of many older workers that companies often put pressures upon older workers that eventually lead them to choose this route. These pressures may be subtle and each one may be slight, though their cumulative effect is often powerful. Nagging criticism, avoidance, little burdens, slights, and conflicts with superiors or fellow workers, may be perceived by an older worker as part of a systematic campaign to force his departure.

In addition, older workers often assert that companies go out of their way to fail to take into consideration small problems of health or decreases in functional ability, requiring instead that older workers meet the same performance standards that younger workers are expected to meet. Where small adjustments in tasks or schedules might make the situation of an older worker tolerable, a company's unwillingness to make such adjustments may be considered proof that the company really does not want to have the older worker around.

Early recognition of the kinds of problems that will arise out of the 1978 amendments to ADFA is of critical importance. How the Department of Labor and the courts approach the issue of the development of standards and procedures that will permit employers to terminate the employment of older workers whose productivity has clearly fallen below a tolerable level is a matter of great moment. It would be most unfortunate if an inability to find an adequate solution to the delicate problems of equities and individual rights involved in the development and formulation of these standards and procedures had the effect of making employers less willing to hire workers in the 40 to 65 age bracket.

Employer Costs of Hiring Older Workers

One of the striking changes that has occurred in recent decades is the differential cost to employers from hiring additional workers and particularly those in the upper age brackets. Accordingly, one of the major determinants of how older workers fare in the labor market is these cost trends and employers' response to them.

The cost raising factor is particularly prominent in a "defined benefit plan," by far the most common type of pension system.8/ Burt S. Barnow and Ronald G. Ehrenberg have recently demonstrated that in this type of pension system, "the employer's cost to fully fund a plan...tends to increase with employees' ages and, in some cases, as years of service increase." They go on to point out that "this variation has important implications for the level and shape of life-cycle earnings profiles, for labor turnover, and for the likely impact of pension reform legislation, on the well-being of workers."9/

The magnitude of the cost variation by age is very large. In the first model developed by Barnow and Ehrenberg, the annual contribution by the employer for an employee aged 35 is $71, for an employee aged 65, $523.

Both a reduction of the retirement age and an increase in the discount rate increase the pension cost disadvantage of older workers. Perhaps of greater importance is the fact that an increase in wages over the life cycle, coupled with the use of a pension benefit formula that weights the last years' earnings of workers more heavily than that of earlier years, further increases this cost disadvantage substantially.

8/ In "The Costs of Defined Benefit Pension Plans and Firm Adjustments," Burt S. Barnow and Ronald G. Ehrenberg present a comprehensive discussion of this type of pension plan, develop models to illustrate the impact of such a plan upon the costs by age of hiring and retaining workers under a wide range of assumptions, and quantify the differential costs by age. Our discussion of the issue is heavily indebted to their analysis and the quantitative results that emerge from their models. The interested reader is urged to consult this paper which will appear in a forthcoming issue of The Quarterly Journal of Economics.

9/ Barnow and Ehrenberg, 1977, pp. 1-2.

Barnow and Ehrenberg point out that there are two basic labor market adjustments that might occur in the face of these substantial cost differentials. The first is a wage adjustment sufficiently large to erase the age-related differentials in compensation due to the effects of the pension contributions of the employer. The second adjustment, assuming no wage adjustment, would be for employers to substitute younger workers for older workers.

In highly structured, not fully competitive labor markets, characteristic of firms that have defined benefit pension systems, it seems likely that the second adjustment is likely to be more common. Personnel officials of the company may not admit to themselves or others that they are engaged in such substitution, but once they are aware of these differentials, they will tend to favor the hiring of younger workers.

What makes this problem so serious for older workers is that there is no obvious solution to it. As long as workers prefer defined benefit plans, because benefits under such a plan are more certain than its only serious rival, the defined contribution pension system, the effect that Barnow and Ehrenberg have described will occur. There is simply no way to secure what is termed "age-neutrality" in defined benefit pension plans. As they point out:

> Proposals to eliminate age-related pension cost differentials by requiring employers to contribute a constant percentage of each worker's salary to a pension fund, therefore actuarially contributing "too much" for younger workers and "too little" for older workers, do not eliminate the problem. They confuse the distribution of funding by age with the distribution of accrued liabilities by age. An astute employer would realize that by encouraging turnover, he or she can reduce accrued liabilities and hence can reduce the constant (over age) percentage of salary which he or she must contribute to the pension fund (Barnow and Ehrenberg, 1977, pp. 25-26).

Older workers themselves usually prefer pension systems that have defined benefits because it makes it easier for them to plan for their retirement and increases the security of the retirement income. That

it contributes to the employment problems of older workers as a group is probably not appreciated or disregarded. Major changes in structure and policy would be required to overcome this bias.

This selective review of the labor market as it relates to older workers disclosed several important facts and trends that must inform policy formulation and program implementation. Among these were: the relative modest increases in the number and proportions of older persons in the U.S. population during the next 20 years; the narrowing gap between the education of older persons and the most recent entrants into the work force; the improved physical condition of many older persons reflecting improvements in their life circumstances and access to health care; their improved financial position (inflation disregarded) resulting from both spouses working and more of them entitled to pensions in addition to their social security payments; the heavy concentration of older workers within a limited number of industries and occupations; and the extent to which private pension systems place a premium on the hiring of young workers.

Over and above these details the review disclosed a steady and pronounced downward trend in the proportion of older persons who remain at work in both their fifties and particularly their sixties and most particularly after they reach 65. In all of these regards the declines have been more precipitous for black than for white males. Before facing up to the question whether public and private policy should seek to reverse their trends, it would be well to look more closely at some of the special problems that face older workers in their efforts to remain actively at work.

9. Social Security

Older workers confront hardships as a result of the operations of the competitive labor market in which they must fight for jobs and incomes against other groups that are often in a preferred position. In structured labor markets, they must contend with institutional arrangements set up by employers and trade unions governing the way in which work is assigned, carried out, and rewarded. The position of older workers is also affected, to some degree adversely, by the structure and functioning of the Social Security System.

The limitations upon earnings from work that a recipient of Social Security retirement benefits may receive were initially justified to encourage older workers to withdraw completely from the labor force. In the Depression of the 1930s, this seemed desirable social policy in order to increase the number of jobs available to younger men who had growing families to support.

The impact of the Social Security System on the behavior of older persons in the labor market suggests that here is one more important societal arrangement that requires review and modification if the opportunities available to older workers to decide as among continuing to work full time, part time, or not at all according to their circumstances and preferences are to be enlarged.

It has long been recognized, however, that the effect of the treatment of earned income under Social Security has been to impose a heavy tax upon those individuals who elect to work after age 65 (or after age 62), while allowing individuals who have nonwork income not to suffer any reduction in their Social Security benefits. Moreover, the tax treatment of Social Security benefits themselves adds to this injury. Income that a worker over 65 received is taxed at ordinary tax rates (there are special provisions of the Internal Revenue Act that increase the personal exemption for older workers), but Social Security benefits are untaxed. After a certain level of earnings, relatively low, from paid employment is reached, all earned income that a worker receives above this amount results in a reduction of Social Security benefits, generally at the rate of one dollar in Social Security benefits for every two dollars of additional earned income, an effective tax rate of 50 percent.10/ Lowell Galloway has demonstrated that the effect of this system has been to restrict the work effort of older workers, but of course that was and still is its basic objectives.

The bias against workers who have reached Social Security retirement age and who continue to work is revealed also in the fact that workers who elect not

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10/ The permissable earnings level without reduction in Social Security benefits has been increased over time, but at little more than the rate of inflation.

to receive Social Security benefits at age 65 much less than the actuarial value of their postponed Social Security benefits when they finally elect to receive them. Moreover, they continue to pay Social Security contributions on earned income during these years they work, up to age 72.

When the Social Security Act was passed in 1935 an argument could be made that it was necessary to reduce the labor force participation of older workers in order to increase employment opportunities for younger workers.

One argument against abolishing the earnings limitations of the Social Security law is that a large number of older workers would in fact continue to work and elect to receive Social Security benefits at the time if there were no restrictions on earned income. It is claimed that this would be overly costly to the Social Security system, turning it from a supplementary assistance program into a pension scheme.

The cost burden upon the Social Security system, however, is more complex. Indeed, from the point of view of the economy as a whole, there may be no real cost; rather there may be a real gain if the size of the labor force is enlarged by increasing the number of workers over 65 in the labor force.

It would be worthwhile to try to make accurate estimates of (1) the size of the contribution to national income of those who have elected to receive Social Security benefits would make if they did not reduce their work effort because they were subject to earnings limitations; and (2) the increased size of the transfer that would be associated with their continued work activity with no reduction in Social Security benefits.

It seems that we are moving gradually toward a system in which Social Security benefits will be made available to older workers when they reach a specified age without any limitations on earned income. Moreover, the increasing life expectancy at age 65, and the improved health of older age groups, coupled with the reduced physical demands of work itself, will probably lead to a reconsideration of the age and the conditions under which full Social Security benefits should become available.

The general effects of Social Security earnings restrictions upon the work activity of those who are receiving benefits is clearly to reduce the amount of productive labor available to society. But a second problem associated with the benefit structure is particularly adverse to women whose jobs have been for the most part in what has been termed the secondary labor market. By not recognizing at all the value of services that women perform in the home who have withdrawn from the labor force to raise children, the formula used by Social Security to calculate earnings makes the earnings record of many women both intermittent and low.

At present wives who have worked but whose earnings record would entitle them to a Social Security benefit of less than half their husband's benefit are treated as if they had never worked at all. Even if they had never worked, the total family benefit would be equal to the husband's own benefit plus a dependent wife benefit equal to fifty percent of the husband's benefit. In effect there is no return to a married woman's Social Security contributions unless her earnings record would entitle her to more than fifty percent of her husband's benefit in which case she is entitled to the full amount of her own benefit as calculated from her own earnings record. In a world in which women are pressing to be treated as individuals rather than in terms of marital status, this anomaly is likely to demand attention and correction in the years ahead.

Economic and social policy should seek to minimize the disincentive effects of both private and public pensions upon the employment of older workers. Our present tax and Social Security policies interfere with and distort such decisions in many direct and indirect, and therefore often unrecognized, ways.

Work Schedules

From the point of view of the individual workers, the rigidity of present work schedules, particularly those of large employers, public and private, may often be undesirable. This is as true for workers under 65 as it is true for workers who have officially retired but would like to supplement their income by part-time or part-year work. Even for workers who are in their forties and fifties, more flexible workdays and work-weeks might result in an improved allocation of life time among work, the pursuit of income, and leisure.

Moreover, the provisions of such opportunities to choose substantial blocks of leisure at an earlier age could be explicitly made in terms of a tradeoff against working longer in the sixties or accepting reduced pension income. At present, the worker who is employed in the primary labor market may feel that the only way he can obtain substantial blocks of leisure between 40 and 65 years of age is to give up a good job and enter the secondary market where schedules are less rigid and large blocks of leisure are obtained simply by quitting one's present job. For most workers, the losses associated with leaving jobs in the primary labor market are so substantial that few voluntarily make such a choice.

For some workers in their late fifties and over, the provision of flexible work schedules, in particular part-time and part-year work, would help secure their continued participation in the labor force. Two circumstances in particular should be noted. For some workers health problems, mainly those associated with decreasing physical strength and vigor, make the ordinary workday and week too tiring. Such a worker may have suffered no diminution in competence but may simply require more rest, for example, in the middle of the day. If an older worker with diminishing stamina cannot find part-time work in his occupational specialty, he may be forced with regret to drop out of the labor force entirely. A forced total withdrawal may have adverse effects upon his physical and mental well-being.

The other circumstance that makes the provision of flexible work schedules important to workers in this age bracket arises from their accumulation of assets and pension rights. With increasing incomes, savings, and pensions over the life-cycle, and decreasing family responsibilities, older workers often find themselves able to afford more leisure while perceiving full-time work schedules to be more and more onerous and less rewarding. The change in their income situation and their changing work-leisure-nonwork activity preferences would lead them to work less if they could. But they will be able to do so only if the labor market provides them such an option.

The development of an institutional framework that will enable older workers to retain a partial affiliation with their old employer is therefore highly desirable. In some cases, for example the men's garment industry, the pressure of retaining as many older workers as possible

in the face of a declining pool of skilled workers has led to informal and formal procedures that facilitate the recall of older workers to supplement the full-time work force. Both employers and unions recognize that such work opportunities for older workers are of mutual benefit to all.

As important as flexible work schedules are, so too are provisions for job redesign, reassignment, and flexible performance standards to meet the needs of older workers, particularly those over 65, who still desire a relationship to the world of work. This is admittedly a delicate area. Unions have tended to look askance at providing special conditions for particular groups of workers, as it opens up the possibilities of favoritism and internal conflicts within the union's membership. Reassignment, on the other hand, is often felt by older workers to be demeaning, if it is perceived as a form of only slightly disguised demotion.

Although older workers might welcome flexible performance standards, the implementation of such standards is difficult. The simplest way to allow the individual worker to set his own standards is through piecework, with no minimum output level required. But without such a minimum, employers may feel that a worker's exceptionally low productivity imposes heavy penalties upon the firm if the worker is using expensive capital equipment or causes more scrap than the average worker. In addition, many work processes are unsuitable for piecework remuneration, and unions often are resolutely opposed to piecework even where it might be feasible.

The emergence of new attitudes toward the employment of older workers depends in part on both employers and older workers themselves. Attitudes toward work on the part of the older workers will be shaped to a great extent by the kind of work that they have performed throughout their lives. A recent survey of retired Yale professors indicated that most of them were still actively engaged in their work, in some cases as actively as before retirement.

The contrast between the attitudes of this highly favored group toward continuing to work and the attitudes expressed by a group of middle-level managerial, professional, and technical personnel who have retired early is revealing. Whereas almost all of the Yale professors were active after retirement, some remaining so for many years, a sizable number of the early manage-

ment retirees were uninterested in further work activity. Their combined pension and assets enabled them to retire without further concern for income-generating work, sometimes, it is true, on a fairly modest level. Work itself had ceased to be challenging. Before their retirement, the pressures of work had increased, while conflicts with superiors and lack of recognition had contributed to their decision to retire. Many others among these managerial, professional, and technical retirees have, however, continued to work, some in very demanding and rewarding jobs.

Another group of retirees, the blue-collar workers studied by Barfield and Morgan, in general have demonstrated little interest in work after retirement, provided that their pensions are sufficient to enable them to maintain something like the standard of living they were able to achieve while working. For these workers, work is generally perceived to be an onerous, constraining routine, something to be discarded as soon as alternatives in the form of company pensions are facilitated.

Since attitudes toward aging, health, and self-realization are now changing, the perception by older workers of work and its place in their lives may undergo substantial modification in the near future. From the point of view of individual older workers, moreover, attitudes toward work, along with perceptions about the retirement role, will be among the fundamental determinants of how much and what kinds of work they would choose if they had broadened options.

The problems of older workers have a geographical dimension. There is substantial difference in the age composition of Standard Metropolitan Statistical Areas (SMSAs). The SMSAs with an age composition most skewed toward the higher age brackets are those with concentrations of retirement communities. These retirement communities have a number of individuals in their sixties and seventies who would like to continue working but who are unable to find employment simply because the excessive numbers of older workers exceed the opportunities available.

But there is another kind of metropolis that tends to have an age composition older than the average. These are the SMSAs that have undergone a long process of decline that has led to a filtering out of the younger population. The resulting change in age composition has left behind an aging work force, often attached to

declining industries. Even within the metropolis itself, a similar filtering process leaves behind in the central portions of the city a disproportionate number of relatively elderly and poor persons, while the young and the affluent move to the suburbs or away from the area entirely.

The employment problems of those older workers who remain within the central core, if such workers are not part of stable firms, are bound to be severe. The transportation nexus between suburb and central city does not provide easy mass transport to suburban job locations, and older workers in the central areas, particularly those who cannot afford automobiles or cannot drive, face restricted job opportunities. This is a problem that hits older minority men and women with particular force.

The migration of manufacturing and service jobs out of the central city has meant that many older blacks have lost jobs they held for many years. Unable to make the move to the suburbs, sometimes because they have invested most of their savings in a house they are unwilling to leave because of the severe loss its sale might entail, they are pushed out of the labor force before they would do so if the choice were theirs.

What this review has disclosed is the extent to which work schedules and established practices of employers and trade unions have over the years introduced arrangements that upon close inspection are found to be dysfunctional to many older workers. While changes may not be easy to introduce because of the costs to employers and inequities to other members of the work force, many could probably be absorbed but only if the principal parties addressed the problem of how the older worker's options with respect to work might be increased.

10. Policy Considerations

Challenges

Since the passage of the Social Security Act in 1935, the dominant note in U.S. policy with respect to older persons has been to improve their income position so that they could live their declining years in independence, not beholden to their children or dependent on charity. This policy has been pursued both in the public and private arenas. The successive extensions of coverage of the Social Security System, the improvements of benefit levels,

indexed to prevent benefit erosion by inflation, the passage of Medicare, and marked improvements in the disability provisions all speak to the same goal.

In the private sector employers under their own initiative or under the promptings of their unionized employees have instituted a wide range of pension arrangements with steadily improving benefits also aimed at contributing to the financial security of members of their work force when they retire. Today the combined assets of private and public pension arrangements other than Social Security or their federal substitutes (Railway Retirement Act, etc.) total in excess of $200 billion.

Workers themselves have also continued to accumulate financial and other assets (homes) to help assure that they will be able to cope effectively with their later years when they are no longer fully employed or employed at all.

The federal government through the Food Stamp Program, currently financed at over $6 billion annually, represents another important source of support for older persons in or close to the margin of subsistence.

While these several efforts and others such as Medicaid (for nursing home care) and public and private efforts directed to specialized housing, recreation, and other activities to assist older persons have also been initiated and expanded, two broad conclusions can be ventured: the U.S. remains ambivalent about the appropriate role for older persons in society, and it has moved a fair distance to assure that most of them are no longer trapped in poverty. The best current estimate suggests that of all persons 65 and above about 14 percent fall below the poverty line.

The guiding principle that has supported the foregoing largely successful efforts to help older persons reach and live in older age as financially independent has been to provide them with income without requiring or encouraging them to continue to work. One of the ways in which President Roosevelt persuaded the Congress to pass Social Security in 1935 was to emphasize that by enabling older persons to have an income without working, jobs would be made available for many of the younger unemployed, those who had children to support.

From that day to this, U.S. policy in both the public and private sectors has been directed to speeding the retirement and withdrawal of older persons from the labor force. Indicative thereof was the lowering of the retirement age to 62 at 80 percent benefit level and the modest age of retirement under many corporate pension plans occurring at about this same age and, for significant numbers, at even a lower age. The fact that a high proportion of all workers, blue collar, white collar, and managerial, elect to retire from employment as soon as they become eligible for full pension and that a not inconsiderable number do so even at reduced benefit levels without later returning to any type of paid employment speaks to the acceptance, if not enthusiasm with which the predominant group in the citizenry has been willing to sever its ties to work.

The passage of the federal anti-discrimination legislation on the basis of age in 1967 and the amendments of 1977 raising the age of compulsory retirement from 65 to 70 are suggestive of some change in the long-term trend which had almost without exception since the mid-1930s sought to remove older workers from the labor force rather than assisting them to remain. The discontent of spokesmen for older persons with the steep reduction of Social Security benefits after older persons reach the relatively low earnings ceiling of $4,500 is a second straw in the wind, suggesting that a considerable, probably a growing number of older persons would welcome the opportunity to be employed to a greater extent than they currently work if they did not suffer such a serious financial cost.

Mounting complaints about the relatively small participation of older persons in the multiple training programs by the federal government, particularly under the Comprehensive Employment and Training Act, points in this same direction of a growing interest on the part of at least some older persons not to be denied opportunities to improve their employability and employment.

The most striking instance of a favorable change in mood and orientation is the public discussion, even among members of the Cabinet, as to whether the eligibility age under Social Security should be raised from 65 to 68 to improve its long-term financial position by reducing its potential liabilities. While the demographic evidence presented in Section 2 suggest that these liabilities will not become oppressive in the next 20 years, the rapid increases in the numbers and proportion of older persons in the first quarter of the

21st century does require attention.

Unless one believes that the entrenched inflationary pressures which have characterized the U.S. (and the world) economy during the past decade and longer can be brought under effective control within a few years--a view that is not shared by many informed observers--one must anticipate that the continued erosion of financial savings and private pensions (most of which are not indexed) will encourage more older workers to remain at work or to return to work at least part-, if not full-time, to protect their standard of living.

In light of these and still other forces that have just begun to manifest themselves, including the vulnerability of certain industries with an older work force to import competition and the accumulation of older persons in the cores of declining large cities, the odds are strong that the work role of older persons is likely to be reassessed in the years ahead.

The following checklist of issues extracted from this analysis suggests the range of considerations that should inform the policy debates both in the public and private sectors, especially as they bear on broadening the options for older persons to remain actively engaged in gainful employment.

Responses

1. In setting goals under the Full Employment and Balanced Growth Act of 1978, should allowances be made that an increasing number of older persons would prefer to work, at least part time?

2. What are the tradeoffs between the budgeting effects on the federal government from raising and eventually possibily eliminating limitations on earned income by Social Security beneficiaries and the economic and welfare gains from a larger total number of persons participating in the labor force?

3. What steps, if any, should be taken to assure that older persons have a greater opportunity to share in the training and employment opportunities being made available by the federal government to assist those who are encountering difficulties in the labor market? How far should our society use a "return on investment" approach to deny

older persons a reasonable share of such opportunities on the ground that younger people will have more years of effective employment in which to repay society for its outlays?

4. In view of the fact that there are added fixed costs to the employer from hiring additional workers, and that such costs are differentially great for those employers who have conventional pension plans, would it be desirable public policy to seek to reduce these fixed costs so as to enhance the prospects of older workers being hired?

5. What adjustments, if any, in terms of taxes, Social Security contributions, or associated costs might be introduced to encourage the private and nonprofit sectors (the federal government was instructed by the Congress in the last session to experiment with less than full-time jobs), to introduce more flexible hours of work for all workers, but particularly for older workers, as they approach the conventional range for retirement? What can be done, from the side of public policy, to broaden the options facing older workers so that they will not be as limited as they are at present by an either/or choice of continuing to work full time or to retire?

6. Since federal regulatory actions affecting the conditions of private pension schemes (ERISA) and age discrimination have only recently been introduced, it might prove advantageous if these efforts were carefully monitored to assure that they are not resulting in serious unexpected consequences which are often the outcome of new legislation and administrative actions. Specifically, the necessity of employers to retain workers until their 70th birthday in the absence of clear-cut evidence of their inability to perform effectively, may lead some (or even many employers) to thin their ranks when employees are in their mid-fifties to be sure that they are not forced to carry too many into their late sixties.

7. In view of the fact that large numbers of older persons, including a disproportionate number of minorities, are concentrated in the urban cores

of large cities, is there place for an urban "Operation Mainstream" to help carry such workers who become unemployed in their late fifties until they qualify for Social Security.

8. With an ever higher proportion of adult women regularly in the job market, particularly after their younger children reach school age, how should working wives whose earnings records are so low that they are entitled to less than fifty percent of their husbands' benefits be treated? At present they are in fact treated as if they were dependent wives, receiving no benefits on their own account for their contributions as working wives.

9. The likely continuance of some inflationary pressures, even if at a slightly reduced scale, suggests the need for a careful monitoring of the retirement-withdrawal decisions of those individuals who are now entering the period when such decisions are made. Any early and substantial change in the long-term trend of early withdrawal will precipitate a host of policy issues.

10. The experience of private sector participants-employers, trade unions, and employees--with respect to a wide range of issues involving adjustments in work schedules, pension arrangements, intra trade union balances between younger and older workers, and related developments--should be monitored and assessed. Expanding the opportunities for older workers to continue participating in the labor force on a part- or full-time basis will require the dovetailing of public and private sector policies.

* * *

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- *From School to Work: Improving the Transition*, Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, August 1976. Stock No. 040-000-00364-9. Price $3.00.
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